S. HRG. 100-126

AUTHORIZATION OF THE USTTA

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

AUTHORIZATION OF THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

MAY 6, 1987

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE

74-860 O

WASHINGTON : 1987

5261-43

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ERNEST F. HOLLINGS, South Carolina, *Chairman*

DANIEL K. INOUYE, Hawaii
WENDELL H. FORD, Kentucky
DONALD W. RIEGLE, JR., Michigan
J. JAMES EXON, Nebraska
ALBERT GORE, JR., Tennessee
JOHN D. ROCKEFELLER IV, West Virginia
LLOYD BENTSEN, Texas
JOHN F. KERRY, Massachusetts
JOHN B. BREAUX, Louisiana
BROCK ADAMS, Washington

JOHN C. DANFORTH, Missouri
BOB PACKWOOD, Oregon
NANCY LANDON KASSEBAUM, Kansas
LARRY PRESSLER, South Dakota
TED STEVENS, Alaska
ROBERT W. KASTEN, JR., Wisconsin
PAUL S. TRIBLE, JR., Virginia
PETE WILSON, California
JOHN MCCAIN, Arizona

RALPH B. EVERETT, *Chief Counsel and Staff Director*
W. ALLEN MOORE, *Minority Chief of Staff*

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

JOHN D. ROCKEFELLER IV, West Virginia, *Chairman*

ERNEST F. HOLLINGS, South Carolina
DONALD W. RIEGLE, JR., Michigan
LLOYD BENTSEN, Texas

PAUL S. TRIBLE, JR., Virginia
BOB PACKWOOD, Oregon
PETE WILSON, California

CONTENTS

	Page
Opening statement by Senator Rockefeller	1
Opening statement by Senator Pressler	4
Opening statement by Senator Danforth	6
Opening statement by Senator Trible	7
Opening statement by the Chairman	9
Opening statement by Senator Wilson	23

LIST OF WITNESSES

Maguire, Jean, Director, User Fee Task Force, U.S. Customs Service, Department of the Treasury; Randy Worls, general manager, Oglebay Park; and Bill F. Miller, president, Long Beach Area Convention and Visitors Council, Inc	42
Prepared statements:	
Questions of Senator Trible and the answers of Ms. Maguire	39
Mr. Miller	51
Questions of Senator Trible and the answers	53
Sasser, Hon. James R., U.S. Senator from Tennessee	7
Toohey, William D., president, Travel Industry Association of America; William C. Pitt III, president and managing director, the Greenbrier; and Gabriel Phillips, executive vice president of administration and industry programs, Air Transport Assn	58
Prepared statement	60
Questions of Senator Trible and the answers of Mr. Pitt	66
Questions of Senator Trible and the answers of Mr. Phillips	70
Tuttle, Donna F., Under Secretary of Commerce for Travel and Tourism, USTTA, Department of Commerce	11
Prepared statement	14
Questions of the Chairman and the answers	36
Questions of Senator Trible and the answers	39
Questions of Senator Pressler and the answers	40
Warner, Hon. John, U.S. Senator from Virginia	13
Prepared statement	13

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Bryan, Hon. Richard H., Governor, State of Nevada, National Governors Assn., statement	75
Eser, Günter O., director genertal, International Air Transport Assn., letter	77
National Tour Assn., statement	76

AUTHORIZATION OF THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

WEDNESDAY, MAY 6, 1987

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:10 p.m. in room SR-253, Russell Senate Office Building, Hon. John D. Rockefeller IV (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: David St. John, professional staff member and Gerri Hall, minority professional staff member.

OPENING STATEMENT BY SENATOR ROCKEFELLER

Senator ROCKEFELLER. The hearing will come to order, and I will explain in a moment why we were a bit delayed.

Today is the first of our subcommittee meetings on Foreign Commerce and Tourism, and the subject obviously is the authorization of funds for the United States Travel and Tourism Administration in the Department of Commerce.

It was more than 13 years ago that this committee began to seriously focus on the development of a national tourism policy. At a time when in fact very few in our Federal government recognized the long term economic potential of the travel and tourism industry, the Commerce Committee began work on what would eventually become the national tourism policy study, which in turn would lead to the National Tourism Policy Act and to the creation of USTTA.

What a few visionaries saw in 1974 is reality today. At nearly $200 billion in annual receipts, tourism has become our third largest retail industry and our second largest private employer. And the outlook for the industry is one of more growth, more jobs, and more economic development.

With each passing year, more of our nation's business, political, and community leaders discover the importance of tourism in their local economies. The success stories abound. We hear of once-distressed cities finding economic rejuvenation in the development of their strong local tourism industry.

Many of our states, for that matter nearly all of them, have found that dollars spent on tourism are an excellent investment which pays off many, many times over. I myself was convinced of tourism's economic value when I became governor of West Virginia

some ten years ago. I merely took a good look around me—at our natural beauty in West Virginia, our white water rafting, our parks, our ski slopes, our rich history—and it did not take me very long to understand that this was an industry which was not only going to have a great future but which would provide a lot of jobs.

It was just plain logic, therefore, for me as a governor to make tourism a top priority, and that is exactly what we did. The focus of our commitment was a Travel West Virginia promotion, and we did that all over the eastern United States and some other places, too.

We wanted people to come to West Virginia and they did. In fact, it was an astounding success. In ten years we tripled the size of West Virginia's travel and tourism industry. It is now the third largest employer in the state.

It provides work every day for 28,000 of our people. Tourists spend nearly $3.5 million per day in the state, and various levels of government take in taxes of $128 million a year from that industry.

In West Virginia, as in other states, tourism promotion has been a partnership between the public and the private sector. Looking back, there is no doubt in my mind that the relatively small investment of public funds in that partnership has paid huge dividends.

I must say, it disappoints me very greatly when I hear that tourism promotion is the first item in the budget to go in times of fiscal austerity. That is what is happening in West Virginia today.

And frankly, it has been happening for the past several years at the Federal level, where the Administration has tried to do away with our one Federal agency responsible for promoting travel to the United States and the overseas market, that being the USTTA.

Just as the various states and regions of our country engage in healthy competition for a share of the U.S. travel market, our nation—as a nation—must compete in the world marketplace for the international travel dollar.

In that regard, this subcommittee's new name could not be more fitting in its connection of the word "tourism" with "foreign commerce." Tourism may not be something that you put in a crate and send overseas, but it is every bit as much an export as any of the other goods or services that we sell to our trading partners.

In fact, tourism is one area in which we have at least a one billion trade surplus with the Japanese. And tourism ranks second only to chemicals in terms of U.S. export receipts.

Last year, nearly 22 million foreign visitors came to the United States and spent more than $16 billion in our economy. So as economic development and advancing technology team up to empower greater numbers of people throughout the world with the freedom to travel, our nation must be right there, competitive and able to get our fair share of that market.

And that is exactly where USTTA comes in. To one of the most diverse of American industries, USTTA acts as the marketing and promotion expert that brings it all together. The thousands of small and medium sized businesses that comprise better than 90 percent of America's travel and tourism industry would find it virtually impossible to launch their own foreign promotional efforts.

The same is true for many states. They do not have the money to do that. USTTA can help and in many cases is helping.

While the cooperative advertising program is central to USTTA's functions and mission, the agency performs numerous other important functions also. It collects and analyzes data on travel and tourism trends, not only in this country, but around the world.

It has coordinated the gathering and examination of information on safety conditions at overseas destinations. It services a lot of folks in a lot of different ways.

This committee and this Congress have a solid record, I am glad to say, of bipartisan support for USTTA. For the past several years, we have continually rejected the Administration's annual attempts to terminate the agency. Each year we have done so in hopes that the people over at OMB would finally get the message that the Congress will not let USTTA die.

Perhaps this year the message did in fact get through. The President's budget for fiscal year 1988 includes a continuation of USTTA. However, the agency would be funded by a one dollar per passenger user fee assessed on international airline and cruise ship arrivals in the United States.

Now, I am very pleased to welcome a little bit later an Donna Tuttle, the Under Secretary of Commerce for Travel and Tourism. And I am anxious to hear more about this user fee proposal from her, as well as from other witnesses.

In her previous appearances, Donna Tuttle has been in a difficult position. She has been constrained by the fact the Administration planned to zero out her agency. This year, however, I am hoping that the new funding proposals will at least give her the opportunity to discuss her plans for the future of USTTA and the types of programs we can expect on down the road.

I will also welcome to this hearing all other witnesses, and will be particularly pleased that Randy Worls of Oglebay Park in Wheeling, West Virginia, and William Pitt of the Greenbrier in White Sulfur Springs are here.

And I must say that, although I expect that much of the testimony at this authorization hearing will be centered on the matter of funding USTTA—after all, the user fee is not without controversy—I would ask today that the witnesses give considerable attention to the potential impact that this agency can have, should have, or has had in helping mold a more dynamic tourism industry.

Whether or not we go along with the user fee, this Congress will see to it that USTTA remains at the forefront of our national tourism policy.

Now, I want to apologize first of all for being late in starting. There was a hold on all committee meetings of any sort for the entire afternoon, which was lifted at the last moment by working it out through the Majority Leader and the Minority Leader.

And I am extremely pleased that Senator Jim Sasser is here on his own and also as co-chair of the Tourism Caucus, which I also am a member of. I heard Jim Sasser talk a number of times about tourism.

He comes from a state in which tourism looms large in the economy and one which I might wish to say that I am very proud to say my own family has had something to do with. I want to tell you,

Senator Sasser, that not only do I look forward to National Tourism Week, putting in the resolution with you, as we will do, but I also want very much to work closely with the caucus.

It is an important caucus. It is a basic industry. You have very strong feelings about it, I know, and I am very pleased to hear your remarks, whatever they might be.

But first I will call on Senator Pressler for a statement.

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. Thank you very much Mr. Chairman.

I am accompanying Secretary of Transportation Dole to South Dakota for a banquet this evening regarding the EROS data center, which receives satellite pictures and I must leave for the airport at 2:15, so my statement is going to be necessarily very brief. I thank my colleague from Tennessee for withholding.

Let me say first of all that I think what we are doing here in this room is very important to the United States economy, because we are working on the balance of trade here. We are a nation that very much is struggling to find a way to make foreign currency. We have not been in that position in the 1950's and 1960's.

When I had the privilege of chairing this subcommittee, we had the late Herman Kahn as a witness and he predicted that by the year 2000 the United States would have to work on getting foreign exchange in new ways, and he predicted that tourism would be one of our major sources of foreign currency.

And let me say that his predictions have come to pass, that we are switching from an industrial society to a service society to some extent and an informational society. I do not know if that is good or bad, but it is happening, and tourism is certainly a key part of that.

We have reached the point where foreign tourists are a very important source of revenue, and a trip to the United States is very much like the grand tour was years ago to Europe.

Part of a liberal arts education all over the world now includes a visit to the United States, and not only to the East Coast and the West Coast, but to Indian reservations in the Midwest, and I hope to the Black Hills of South Dakota and elsewhere.

In addition, we are finding that people want to return to the United States. So we are seeking international tourism also on the domestic front. Tourism is the number two industry in my state. It is the number two industry in many states.

We are dealing here with a very important subject: to our economy and to our future jobs: I want to commend Chairman Rockefeller in his efforts, and he has my full support.

Mr. Chairman, let me first commend you for holding this important hearing today. The U.S. Travel and Tourism Administration is necessary for the international promotion of United States tourism. As past Chairman of the Senate Business, Trade, and Tourism Subcommittee and current member of the Senate Tourism Caucus, I have been very supportive of the USTTA and will continue to be.

Travel and tourism is an extremely important segment of our economy in 39 states and it contributed 460,600 new jobs in the U.S. in 1985 alone. The USTTA has been very successful in helping

states work together to reap the benefits of international tourism. For example, over the past year it has been working with the states of the Old West Trail Foundation, including my home state of South Dakota, to increase overseas visits and revenue to our area.

Yes, I wholeheartedly support USTTA. However, I am not in support of the Administration's proposal of initiating user fees as a source of funding USTTA. The idea of a $1 user fee on tickets purchased for international travel to the United States could result in inequities. I do not think it is right to place the burden of funding USTTA solely on inbound air and cruise ships. After all, USTTA exists for the promotion of tourism in a generic sense. Implementing a user fee only on airlines and cruise ships suggests the unfounded assumption that airlines and cruise ships benefit the most from USTTA programs and therefore should pay for them. I hope that this concern will be addressed during this afternoon's hearing.

Because USTTA's purpose is to promote tourism generically, and it benefits all Americans, it is more appropriate to use general funds for this agency. Although my greatest concern is our nation's current budget deficit, let me point out that the increased international tourism business resulting from USTTA's efforts helps to reduce our budget deficits, creates many new jobs and narrows our ever-widening trade deficit.

Again, Mr. Chairman, thank you for holding today's hearing. Without USTTA, international travelers might never discover the 90 percent of America that awaits them beyond the coastal states. I am confident that this hearing will provide much enlightening information regarding the many worthwhile activities of the USTTA.

I am in disagreement with the proposal that has arrived here. I wholeheartedly support USTTA. I commend Secretary Tuttle and the efforts she has made, and I miss working with her so closely since I have left the chairmanship of this subcommittee. I know she is doing a great job.

Let me state, though, that I am not in support of the Administration's proposal of initiating user fees as a source of funding USTTA. The idea of a one dollar user fee on tickets purchased for international travel to the United States could result in inequities.

I do not think it is right to place the burden of funding USTTA solely on inbound air and cruise ships. After all, USTTA exists for the promotion of tourism in a generic sense. Implementing a user fee only on airlines and cruise ships suggests the unfounded assumption that airlines and cruise ships benefit the most from USTTA programs and therefore should pay for them.

I hope that this concern will be addressed during this afternoon's hearings, because USTTA's purpose is to promote tourism generically and it benefits all Americans. It is more appropriate to use general funds for this agency.

Although my greatest concern is our nation's current budget deficit, let me point out that the increased international tourism business resulting from USTTA's efforts helps to reduce our huge budget deficit, creates many new jobs, and narrows our ever-widening trade deficits.

Again, Chairman Rockefeller, thank you for holding today's hearings. Without USTTA, international travelers might never dis-

cover that 90 percent of America that awaits them beyond the coastal states.

And I might say that I think the field offices that USTTA has abroad are doing an excellent job on limited resources.

I am confident that this hearing will provide much enlightening information regarding the many worthwhile activities of the USTTA. I do have some questions to leave for the record and I shall be speaking on the Senate floor later, comparing some of our practices and other countries' and expanding on my feeling that this could have a negative impact on tourism.

But let us remember in closing that we are talking about 12, 13, 14, 15 million dollars. That has been the debate on this tourism thing in the last few years. That is just a drop in the bucket, so to speak, compared to many functions of the government.

We will not even debate anything less than $100 million unless somebody has an unusual interest in it. And it seems as though each year—and I went through this several years—we struggle to get our $12, $13, or $14 million for a function of the government that returns manyfold. In fact, I think that the Department of Commerce should be called the Department of Commerce and Tourism.

I think as we move into the 1990's we have got to be more and more imaginative in our thinking and come to grips with this.

Mr. Chairman, I apologize for leaving, but in about three or four minutes I will be leaving. I will submit questions, and also I have a statement from Senators Danforth and Trible for the record.

[The statements follow:]

OPENING STATEMENT BY SENATOR DANFORTH

MR. CHAIRMAN: I would like to welcome you to your new role as chairman of the Foreign Commerce and Tourism Subcommittee as I welcome this hearing focusing on the good work of the United States Travel and Tourism Administration (USTTA).

If Mark Twain were here today he might observe that "the rumors of this agency's death have been greatly exaggerated!" Seems to me the USTTA is very much alive under the guidance of Under Secretary Donna Tuttle and her staff, and for this we should be grateful.

Consider this: the United States has a $1 billion trade surplus with Japan. This is a glimmer of hope given our $60 billion deficit with Japan in the area of manufactured goods. With the recent inclusion of services in the GATT negotiations, it is important to recognize that tourism has emerged as the fastest-growing component of world trade in services, now representing $96 billion, or roughly 28%, of world earnings in this area. Now more than ever as we face a disturbing $170 billion trade deficit, this country needs the USTTA's very special expertise to maximize our tourism business abroad.

We surely feel the impact of tourism promotion efforts closer to home. Missouri may need to be nicknamed the "Show You" state if current tourism trends continue. We seem to have something for eveyone: we have St. Louis, the "Gateway to the West", and bustling Kansas City; the Royals, the Chiefs, the Cardinals and the Comets; the Ozark Mountains and a million acres of rivers and lakes; the home of Mark Twain and the birthplace of the Pony Express; and as many theme parks as you can think of themes.

It is little wonder travel and tourism is one of Missouri's top three revenue producing industries: tourists spent $4.7 billion in the state last year and generated $533 million in federal, state, and local taxes. Travel and tourism is our second largest employer providing 91,200 jobs and generating a payroll of $961 million. Foreign visitors spent about $61 million in Missouri, employing about 1,200 of our citizens.

Mr. Chairman, I look forward to the insights that today's witnesses will provide. Thank you for this opportunity to focus on this important subject.

OPENING STATEMENT BY SENATOR TRIBLE

Mr. Chairman, thank you for calling this hearing on the authorization of funding for the United States Travel and Tourism Administration (USTTA). I look forward to working with you on travel and tourism related concerns.

Mr. Chairman, we both represent states that rely on the tourism dollar for jobs and tax revenues. Our states share a common name and a substantial common history. One of our shared tourist destinations is the historic town of Harpers Ferry on the border of our two states. During a visit to Harpers Ferry, Thomas Jefferson looked down upon the confluence of the Potomac and Shenandoah rivers, nestled between the mountains and declared that the view was worth crossing the ocean to see. Today we seek to ensure that thousands of others are inspired to heed Jefferson's advice. We want the world to cross the ocean to visit the U.S.A.

We Virginians know just how important tourism and travel is to our state. America's history began with our first international travelers arriving in Virginia. We have preserved our heritage for tourists to see. Today people travel thousands of miles to see Mt. Vernon, George Washington's home and Montecello, that architectural landmark illustrating the genius of Thomas Jefferson. Similarly, the beauty of the restored colonial capital of Williamsburg, a tribute to the generosity of another Rockefeller, attracts thousands of tourists each year. Modern Virginia has lively theme parks as well as serene ocean beaches and breathtaking mountain splendor.

In practical terms, tourism produces 94,000 jobs in Virginia every year. Tourists spend over $4.5 billion dollars in my state and generate over $450 million in tax revenues. In fact, the Commonwealth of Virginia receives $28.45 in taxes for every dollar it spends on tourism promotion. an excellent return on investment! If we consider the contribution of foreign tourists in those figures, we find that international visitors spend $100 million annually, generates almost $10 million in tax revenues, and 2100 jobs.

International tourism in the United States represents a substantial economic export. The U.S. balance of trade improves every time a foreigner vacations in this country. The USTTA provides the catalyst necessary to market the entire United States. The private sector along with state and local governments rightly spend the lion's share of advertising dollars promoting various destinations. However, that effort is usually narrowly focused on a single destination, means of travel or place of lodging in the domestic marketplace. The USTTA brings together all parties to make the rest of the world aware of America, its regions and its diverse travel opportunities, as a whole.

The specific legislative proposal before us would impose a user fee of one dollar on incoming international air and cruise ship passengers. A nominal fee on inbound tourists would ensure continued funding for USTTA's important work at a time of budget restraint. I look forward to the statements of the witnesses on this proposal.

I am hopeful that we will have authorizing legislation enacted this year. The USTTA is one agency that costs very little and reaps significant benefits as we will hear in today's testimony. I believe that we are well served by the modest sum appropriated for the USTTA.

Senator ROCKEFELLER. Thank you very much, Senator Pressler. Senator Sasser, I appreciate your patience.

STATEMENT OF HON. JAMES R. SASSER, U.S. SENATOR FROM TENNESSEE

Senator SASSER. Thank you very much, Senator, for allowing me to appear here today before your subcommittee. And I do want to say to you most sincerely that I am pleased that I had the opportunity to hear your statement today, because it reminded me once again of the absolutely splendid work that you did as governor of the state of West Virginia with regard to the whole question of tourism and attracting the tourist dollar to that beautiful state.

I think you set an example for other State administrations around the country to follow as far as attracting the tourism dollar to their states.

I would like to add today just a few words of encouragement and support for the United States Travel and Tourism Administration.

As co-chairman of the Senate Tourism Caucus, I have developed a fond appreciation for both the value of the tourism industry, just as you did as governor of West Virginia, and also the work of the U.S. Travel and Tourism Administration.

Along with my colleague Senator Warner of Virginia, I will continue to pledge my cooperation with you and with your colleagues on this subcommittee in seeking to promote the benefits of travel and tourism here in the United States Senate.

And parenthetically, I might add that as a member of the Budget Committee I saw to it that there were no assumptions in the budget resolution we adopted on the Senate floor just yesterday which would assume user fees originating on travel coming into the United States.

Now, the mission of the United States Travel and Tourism Administration, as outlined in the National Tourism Policy Act, is to develop and carry out an international tourism marketing program, to stimulate and encourage travel to the United States by residents of foreign countries.

And quite frankly, I think this is an enviable job. What better product do we have to sell than the diversity of our people, which is unmatched by any country in the world, the history of our culture, and the wondrous beauty of our landscape?

But particularly in these times of budgetary constraint, with the ominous threats of both annual budget deficits and trade imbalances, travel and tourism can contribute enormously to the health of our economy.

I would like to speak for a moment, if I may, about my home state of Tennessee. In Tennessee, travel and tourism is the second largest employer in our state. In 1984 it employed more than 73,000 people.

And in 1984, the last year for which I have reliable figures, tourists spent nearly $9.3 million per day in the state of Tennessee and they generated nearly $400 million in total tax revenues. The Great Smokey Mountains National Park in the state of Tennessee is by far the most visited national park in this country.

So clearly, we have marketable products to sell in my native state, but more importantly we have marketable products to sell in the United States to those interested in travel and tourism. And the USTTA is charged with the major responsibility of promoting the economic growth which accompanies the sale of these products.

Let me say that I wholeheartedly support the reauthorization of USTTA, and I look forward to working with you, Mr. Chairman, and the distinguished members of this subcommittee in the future on issues such as National Tourism Week, which we will offer on the Senate floor shortly. And I also want to express my appreciation to Donna Tuttle for the fine work that she has done at USTTA and say that I look forward to continuing the excellent working relationship that I have enjoyed over the years with Senator Warner of Virginia on the Senate Tourism Caucus.

Again, Mr. Chairman, thank you for allowing me to come here today and give a few brief remarks in support of the USTTA and also in support of travel and tourism generally.

Senator ROCKEFELLER. Senator Sasser, thank you very much. And I want to reiterate the point that you made, that I think it is

important for the caucus and for the subcommittee to work together.

Quite frankly, that has not always been the case in the past, and I think it needs to be the case from now on. I personally am very grateful to you and appreciate not only the fact that you waited, but that you took the time to come here in the first place.

Senator SASSER. Thank you very much.

Senator ROCKEFELLER. Obviously, it is very flattering to the subcommittee that the chairman of the full committee is here, and I would call on Senator Hollings for any comments he might have to make.

OPENING STATEMENT BY THE CHAIRMAN

Senator HOLLINGS. Well, it is flattery, because we are indebted to you, Mr. Chairman, for your leadership. Following right up on what Senator Sasser has just stated, I harken back.

Over 25 years ago, we had a little committee appointed for tourism because my press secretary when I was governor had come from Myrtle Beach and I thought my home town of Charleston had all the tourists and I did not know what anybody wanted to see at Myrtle Beach.

I learned differently, and I learned at the same time with the committee that we had a wonderful industrial opportunity. And today we have followed up, and now tourism is the largest industry of all in South Carolina.

So everyone is behind it now and, more particularly, when my friend Luther Hodges, Senior, went in as Secretary of Commerce, I was by that time enthused and got on him about a Tourism and Travel Service in the Commerce Department.

And he said he would go forward with it if I would lend back Gerry Albright, who was working down in South Carolina after I had stolen him from North Carolina. And so he put in Voit Gilmore and Gerry Albright. And we instituted under the Kennedy Administration the U.S. Travel Service.

So it has been a bellwether in the development of opportunity and industry in our nation, as well as in my own home state. And the leadership you have given to it is much appreciated by the entire committee and the Congress.

First, I want to just say that the Subcommittee on State, Justice, and Commerce in Appropriations has reviewed the programming notification dated April the 3rd with regard to the U.S. Travel and Tourism Administration, and we approved that this morning.

Mr. Chairman, I strongly support the reauthorization of the United States Travel and Tourism Administration.

Tourism has become one of South Carolina's largest industry, providing an estimated 94,000 jobs and adding more than $4 billion to the economy.

Much of the present day success of the travel and tourism industry in our state can be traced back to some farsighted planning we initiated in the 1960's. We looked at our "comparative advantages"—our beautiful beaches, our colonial history, our friendly residents, our mountains, lakes, and streams—and saw the potential for development and jobs. We established the Legislative Com-

mittee on Tourism Trade. We launched the first Governor's Conference on Tourism and Trade. And we created the Department of Parks, Recreation, and Tourism to coordinate and oversee the state's activities in this area.

As we will learn from today's witnesses, our federal investment in tourism is also paying handsome dividends.

The Commerce Committee has been at the forefront of our federal tourism policy from the very beginning. In 1974, we were charged by Senate Resolution with the task of undertaking a National Tourism Policy Study, the purpose of which was to make legislative and other recommendations regarding the federal role in nurturing and promoting the domestic travel industry. Four years later, we issued our final report, which laid the foundation for the 1981 National Tourism Policy Act. That piece of legislation elevated that status of tourism policymaking in the Commerce Department, established the USTTA, and gave this agency the mission of promoting the United States as an international travel destination.

Travel and tourism has since become this country's second largest private employer and third largest retail industry. And now USTTA's mission is more important than ever. Last year, 22 million foreign travelers visited the United States and spent nearly $16 billion. That's a significant portion of our total travel receipts. But in order to maintain and increase our share of the world tourism market—$110 billion and growing—we'll have to get out there in the global marketplace and fight for it. And we'll need to compete with more than three dozen countries whose governments spend more per capita than we do on tourism promotion.

USTTA is our lead agency in this regard. Its Washington headquarters and nine overseas offices provide a conduit through which the many thousands of businesses and associations that comprise the U.S. travel industry can coordinate and channel their promotional efforts to the overseas markets. It also gives "official status" to our tourism promotions in other countries, where prospective travelers want to be assured that the U.S. Government stands behind its travel industry.

Unfortunately, this Administration has no clue to what the world competition is all about. When ever we in the Congress try to deal with the realities of the world marketplace, these folks just sit back and cackle "protectionism, protectionism, free trade, free trade" like a bunch of myna birds. When will they realize that in the global competition free enterprise is a myth? The reality is government-to-government competition.

Every since Congress established USTTA and gave it a modest amount of money to work with, this Administration has tried to tell us that the private travel industry is better off without the agency and can just as well come up with its own foreign promotional efforts. OMB has consistently ignored Congress' commitment to national tourism policy and has slated USTTA for termination year in and year out, only to have us put the money right back in there.

Although this year I'm happy to see a break in this silly routine, the Administration's proposal to impose a so-called "user fee" to fund USTTA doesn't seem to be much of an improvement. It's almost laughable that the very same people who added a trillion

dollars to our national debt in six years have spent a considerable amount of time and effort drafting a plan to recoup $12 million.

If the Administration would just get serious about reducing these outrageous deficits and quit spending its time baying the moon, we just might be able to do something about this mountain of debt we are accumulating.

I am willing to listen to the user fee proposal. But I will accept no linkage between this funding scheme and the future of USTTA. Let the Administration be warned that this Committee, this Senate, and this Congress is not about to see USTTA sacrificed. It is an important agency, it brings money into this country, and it represents a very modest investment toward keeping our trade imbalance from becoming worse than it already is.

I thank the Senator from West Virginia for holding this hearing. I congratulate him on his ascension to the Chairmanship of this important Subcommittee. And I look forward to hearing the testimony of today's witnesses.

Senator ROCKEFELLER. Thank you very much, Senator Hollings.

It is also fortuitous for the subcommittee that you are a member, and I am very grateful that you have come today.

Donna Tuttle, I think, does an extraordinary job. I was in Japan recently and made sure to stop at your Tokyo office, and I think I was the first Senator in at least many years to have done so. But they are very active, they are very aggressive, and there are only seven of them doing an enormous amount of work.

You, Under Secretary Donna Tuttle, in my judgment do outstanding work, and that I think is a view shared by all, and I would be very interested in your testimony today.

STATEMENT OF DONNA F. TUTTLE, UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, U.S. TRAVEL AND TOURISM ADMINISTRATION, DEPARTMENT OF COMMERCE

Ms. TUTTLE. Thank you, Mr. Chairman, very much. I would like to thank this committee for their support of both myself and the agency, Senator Hollings and, of course, Senators Sasser and Pressler.

Mr. Chairman, I am pleased to have this opportunity to testify in support of the administration's fiscal year 1988 budget request for the United States Travel and Tourism Administration. In 1988, the United States Travel and Tourism Administration will require $12.2 million to carry out its proposed program.

Of that amount, we are asking Congress to appropriate $3 million and to grant authority to the Commerce Department to collect and use an additional $9.2 million in fees to be assessed on the travel and tourism industry.

It is the position of the Administration that the programs of the United States Travel and Tourism Administration directly benefit private interests and should be financed by those interests. The Federal government should continue to provide these services only if they are paid for by these direct beneficiaries.

This is especially necessary given the size of the Federal budget deficit. Toward that end, the 1988 President's budget proposes a user fee be established for the USTTA in the form of a travel pro-

motion fee charge to be assessed from commercial airlines and passenger ship lines.

The character of the fee recognizes that USTTA's programs directly benefit the travel and tourism industry by increasing the U.S. share of the highly competitive international travel market.

The fees will provide USTTA with a permanent and stable source of funding, which is expected to promote the recruitment of new cooperative marketing partners and expand the U.S. commercial presence in the international tourism marketplace.

During 1988, the first year for which the fee will be implemented, USTTA will require the equivalent of one-quarter of a year of funding, or a $3 million appropriation, to cover costs incurred before the fees are received. From that point forward, sufficient fees will be collected to support the entire USTTA program.

In 1988 fees will be deposited directly in the USTTA account at Commerce to support the programs. Fees collected in excess of those needed to support USTTA will be deposited in the Treasury.

I would just like to say a word about our programs before I stop. In the last several years, our marketing programs have expanded a great deal. We have taken a highly successful campaign of "America, Catch the Spirit," which we inaugurated in 1986 in West Germany, and we have implemented it in all nine of our major foreign markets.

The success of that campaign was to increase the number of our cooperative partners from a few American companies promoting in West Germany to 44 industries and destinations advertising and promoting in that foreign market, most of them for the first time.

We have continued to make that our major goal—increasing the number of states, cities, and companies, promoting in foreign markets which are appropriate to them. One of the ways we have been doing this is through the development of regionalism throughout the United States.

Basically, our approach has been to hold a conference in a region, such as New England, the South, or the Northwest, which we have already done, provide the states, convention bureaus, and industry with statistics on key target markets, and develop joint marketing programs which include such basic programs as familiarization trips all the way to cooperative advertising in foreign newspapers, magazines, and trade journals.

Whether it be regional, state, or industry participation, the amount of activity in trade shows, missions, seminars, familiarization trips, and cooperative advertising has dramatically increased in all of our markets.

I would like to conclude these remarks by showing you our latest marketing initiative, announced last week in Boston and London. It is our first TV ad to ever run on foreign television, but more importantly, the very first time a destination and industry have joined together to promote on TV.

The two major partners are TWA and the New England states, spearheaded by the state of Massachusetts. We had a minor role financially and hope that this will be first of a series of ads which sell not just a ticket, but a regional destination.

I might add that we are in serious negotiation with other airlines, and I would especially like to mention that Pan Am is one

since Mr. Jim Montgomery is here in the audience and will be testifying later. So we do see it as the beginning of a series of ads to continue.

This one will run for a five week period. It is running now in the U.K. market. When this was shown in Boston last week in front of the top tour operators, some of them got so excited that they picked up the tour and put it in their brochure and put what we call the product on the shelf.

If I could just show it to you——

STATEMENT OF HON. JOHN WARNER, U.S. SENATOR FROM VIRGINIA

Senator WARNER. Mr. Chairman, could I interrupt just for a moment? I have to go to another hearing. I thought we were going to cancel. Otherwise I would have been here on time.

Each year I try to make an appearance to indicate my support, as I do again this year, and my complete joy that you have persuaded the President to put in a line item in the budget. We lost our major ammunition, zero budgeting, so we will have to work up from that.

Thank you and congratulations. And may I put a statement in the record?

Senator ROCKEFELLER. Absolutely, Senator Warner. And we very much appreciate your co-chairmanship of the Senate Tourism Caucus and we want to work very closely with you. We appreciate very much your taking the time to be here.

Senator WARNER. I thank the chairman. I am sorry that I was not here when we started.

[The statement follows:]

STATEMENT OF HON. JOHN WARNER, U.S. SENATOR FROM VIRGINIA

Thank you, Mr. Chairman, members of the Committee.

As co-chairman of the Senate Tourism Caucus, I am pleased to appear today before the Senate Commerce Subcommittee on Foreign Commerce and Tourism to encourage continued funding for the United States Travel and Tourism Administration.

I would like to begin my comments today by offering some historical perspective on the issues at hand, so in that vein, I will review briefly the origins of tourism policy in the United States. In 1974, the Senate Commerce Committee was authorized to begin the "National Tourism Policy Study". In October, 1976, the Committee published its first report, entitled "A Conceptual Basis for the National Tourism Policy Study." In 1977, a second report was issued, and finally, the "National Tourism Policy Study Final Report" was made available in 1978. Together, the series of reports contained a summary and analysis of tourism and travel industry data, a review of legislative proposals affecting tourism, and finally, recommendations for a cohesive national tourism policy. The National Tourism Policy Act of 1981 was signed into law by President Reagan on October 16 of that year, creating the first United States Travel and Tourism Administration (USTTA). In the few short years since its inception, the Administration has achieved a tremendous level of success through the tourism policy initiatives implemented under the able leadership of Undersecretary Donna F. Tuttle.

I have often commented on the importance of cooperation between the Federal Government and the travel and tourism industry. This cooperative effort is crucial to the continued success of the marketing campaigns of USTTA.

Many individual states have coordinated their tourism promoting with USTTA. The Commonwealth of Virginia has been actively involved in tourism development on the state level since 1927. In cooperation with USTTA, Virginia is able to pursue the international tourism market, bringing ever-increasing numbers of foreign visitors to the United States and to the Commonwealth. State tourism offices are thriv-

ing, but the centralized agency is essential to a cohesive American tourism marketing effort overseas. Funding USTTA will ensure an efficient and profitable international tourism market.

The statistics cited as evidence of the tourism industry's economic health are by now a well-known litany—tourism remains the first, second or third largest employer in most states. Last year, in the Commonwealth, 95,000 Virginians were employed in tourism related jobs. It is the Nation's second largest employer, and the second major contributor to the overall balance of trade. In a year when trade sanctions have proven a vital tool to ensure a healthy balance of trade, a budget item which consistently contributes so much to the Nation's economy must be a number one funding priority.

The United States Travel and Tourism Administration is charged with multiple roles as the coordinator of the country's tourism policies. USTTA must function in the international financial marketplace as the primary promoter of American travel opportunities, and at home as the promoter of domestic travel. USTTA is a catalyst for innovative efforts in state tourism offices, and functions as an administrative center for state efforts in the international market. Only through strong funding support can USTTA continue its success record in each of its assigned roles.

The tourism industry is a giant. The overall industry is extremely complex, including hotels, restaurants, tour operations, recreational facilities, car rentals, air, sea and land transportation operations, and thousands of small businesses of endless denominations nationwide. Without a strong unifying agency to design new policy initiatives and to coordinate present efforts, much or the value of the individual sub-industries and of the state tourism offices would be lost to inefficiency.

Just last month, the Wall Street Journal predicted an incredible increase in the number of foreign visitors to the U.S. due to the falling dollar value. Last year, travel to the United States increased 23%, to almost 3.5 million. Although the dollar's fall may have negative consequences for the American economy as a whole, there are obvious economic gains to realize from the dollars devaluation in U.S. tourism. I would suppose that the CEO or any American corporation, looking at similar market conditions would begin working immediately and enthusiastically to meet the challenge, to take advantage of such favorable market conditions by becoming prepared for the great increase in import business. Undersecretary Tuttle is doing exactly that, with overseas television advertisements and more regional tourism marketing packages. I urge the Committee, and the Congress to respond with equal enthusiasm and support through funding levels in our budget.

Ms. TUTTLE. You will notice that in the ad carries our "America, Catch the Spirit" slogan. And if you will turn that on. It is just a 30 second ad. It is very short.

Senator ROCKEFELLER. Can we get the lights. Well, we may not need that. We can leave them where they are.

[Videotape shown.]

Ms. TUTTLE. That concludes my introductory remarks.

STATEMENT OF UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, DONNA F. TUTTLE, DEPARTMENT OF COMMERCE

I am pleased to have this opportunity to testify in support of the administration's FY 1988 budget request for the United States Travel and Tourism Administration.

FY 1988 FUNDING REQUEST

In FY 1988, the United States Travel and Tourism Administration will require $12.2 million to carry out its proposed program. Of that amount, we are asking Congress to appropriate $3 million, and to grant authority to the Commerce Department to collect and use an additional $9.2 million in fees to be assessed on the travel and tourism industry.

It is the position of the administration that the programs of the United States Travel and Tourism Administration directly benefit private interests and should be financed by those interests. The Federal Government should continue to provide these services only if they are paid for by these direct beneficiaries. This is especially necessary, given the size of the Federal budget deficit. Toward that end, the 1988 President's budget proposes that a user fee be established for the USTTA in the form of a travel promotion fee to be assessed from commerical airlines and passenger ship lines.

The character of the fee recognizes that USTTA's programs directly benefit the travel and tourism industry by increasing the U.S. share of the competitive international travel market.

The fees will provide USTTA with a permanent and stable source of funding which is expected to promote the recruitment of new cooperative marketing partners and expand the U.S. commercial presence in the international tourism marketplace.

During 1988, the first year in which the fee will be implemented, the USTTA will require the equivalent of one quarter of a year of funding or a $3 million appropriation to cover costs incurred before the fees are received. From that point forward, sufficient fees will be collected to support the entire USTTA program. In 1988, fees will be deposited directly in the USTTA account at Commerce to support the programs for which a description follows. Fees collected in excess of those needed to support USTTA will be deposited in the Treasury.

The goal of the agency is to increase international tourism to the U.S. and to increase the number of U.S. tourism exports and the U.S. share of the international travel market.

First, however, I would like to discuss tourism's significance to the U.S. economy, describe the competitive environment in which the U.S. tourism industry must operate, and explain USTTA's role in bringing international marketing opportunities to the industry's attention.

In 1986, the most recent year for which full-year data are available, the United States earned $15.5 billion from sales of tourism services and transportation to foreign visitors. In 1985, together, tourism and passenger transportation services accounted for more that ⅓ of our $43.9 billion in business services exports.

For a variety of reasons, tourism and passenger transportation services tend to play an especially important role in our trade relationships with other American republics and Japan. During 1986, for example, sales of tourism and passenger transportation services represented: 53 percent of our services exports to Latin America and other Western Hemisphere republics; 50 percent of our services exports to Canada; 41 percent of our services exports to Japan; but 28 percent of our services exports to the EEC-6 (Belgium, Luxembourg, West Germany, The Netherlands, France and Italy; and 29 percent of our services exports to the United Kingdom.)

In absolute terms: We sold Japan more than $2.5 billion worth of tourism and passenger transportation services, or $338 million more than we sold to the EEC-6, combined; we sold Canada $3.2 billion worth of such services, or $1,053 million more than we sold to the EEC-6, combined; we sold the Latin American and other Western Hemisphere republics $4.3 billion worth of tourism and passenger transportation services, or $698 million more than we sold to the EEC-12 (the EEC-6 plus the United Kingdom, Denmark, Ireland, Greece, Spain and Portugal). We sold other countries in Asia and Africa (primarily the Asian and the African members of OPEC, plus China, Hong Kong, the Republic of Korea, Singapore and Taiwan) nearly $1.3 billion worth of those services (TABLE I).

TABLE I.—TOURISM AND PASSENGER TRANSPORTATION SHARE OF U.S. SERVICES EXPORTS, 1986

[U.S. dollars in millions]

Country or region	U.S. services exports	Value of tourism services	Value of passenger transport services	Value of passenger transport/ tourism services	Tourism/ passenger transport share of service exports (percent)
Latin America/other Western Hemisphere	$8,188	$3,733	$590	$4,323	53
Canada	6,393	3,178	.....	3,178	50
Japan	6,031	1,610	853	2,463	41
EEC-6	7,514	1,531	594	2,125	28
Western Europe	13,106	2,393	1,232	3,625	28
United Kingdom	3,435	580	407	987	29
Other countries in Africa/Asia	7,743	987	310	1,297	17

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, vol. 67, No. 3, table 10, U.S. International Transactions, pp. 56–61.

Note.—Figures are based on U.S. earnings from travel, passenger fares, other transportation, royalties and license fees from affiliate foreigners, royalties and license fees from unaffiliated foreigners, other private services from affiliated foreigners and other private services from unaffiliate foreigners. Receipts from U.S. Government miscellaneous services and from income on U.S. assets abroad, including U.S. Government assets, were excluded for comparative purposes.

These figures have implications for the U.S. trade deficit. Based on preliminary data, the U.S. bought $125.4 billion more in goods and services from other countries during 1986, than it sold (table II).

The two individual countries with which the United States recorded the largest trade deficits were Japan and the United Kingdom. Together, those nations accounted for more than $66 billion of our trade "gap" (table III).

The region which accounted for the largest share of our trade deficit was Asia: Japan and other Asian countries (Hong Kong, the Republic of Korea, Singapore and Taiwan) jointly accounted for almost 70 percent of our trade imbalance. Our merchandise trade deficit with Taiwan alone was greater than our overall trade deficit with Latin America and other Western Hemisphere republics, combined.

The other region which figured prominently in our trade gap was Western Europe, which accounted for $31.6 billion, or roughly 25 percent, of our deficit.

TABLE II.—U.S. INTERNATIONAL TRANSACTIONS, 1986

[In millions of U.S. dollars]

	Exports	Imports	Surplus/deficit
Merchandise exports/imports	221,753	−369,461	−147,708
Military transfers/expenditures	9,577	−11,979	−2,402
Services exports/imports [1]	48,248	−45,280	+2,968
Travel	(12,928)	(−17,789)	(−4,861)
Passenger transportation	(3,381)	(−6,833)	(−3,452)
Other transportation	(14,708)	(−16,514)	(−1,806)
Royalties/fees from to foreigners	(6,812)	(−1,089)	(+5,723)
Other private services from to foreigners	(10,419)	[2](−3,055)	(−7,364)
USG miscellaneous services	512	−1,659	−1,147
Receipts/payments of income on U.S. assets abroad/foreign assets in the United States	90,613	−67,748	−22,865
Total	370,703	−496,127	−125,424

[1] Private services.
[2] Other private services to unaffiliated foreigners minus other private services to affiliated foreigners.

Sources: USTTA, based on U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, vol. 67, No. 3, table 1–2, U.S. International Transactions, not seasonally adjusted, p. 44.

TABLE III.—COUNTRIES/REGIONS ACCOUNTING FOR U.S. TRADE DEFICIT, 1986

[In millions of U.S. dollars]

Country/region	Imports from United States	Exports to United States	U.S. deficit/ surplus
Japan	39,842	95,772	−55,930
Other Asia/Africa	64,067	96,167	−32,100
Subtotal	103,909	191,939	−88,030
Canada	72,066	77,373	−5,307
Latin America/other Western Hemisphere	61,172	66,228	−5,056
Subtotal	133,238	143,601	−10,363
W. Europe	115,692	147,313	−31,621
(United Kingdom)	(26,034)	(36,963)	(−10,929)
East Europe	2,872	2,395	+477
Australia/New Zealand/SouthAfrica	11,037	8,004	+3,033
International Organizations/unallocated	3,954	2,872	+1,080
Total	370,702	496,126	−125,424

Source: USTTA, based on U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, vol. 67, No. 3, table 10, U.S. International Transactions by Area, pp. 56–61.

The good news is that while we experienced a deficit in our overall trade account with Japan, we recorded a surplus of almost $1.1 billion in our tourism and passenger fare accounts.

The figures I have just presented suggest three conclusions: (1) Tourism is one of the products the United States offers that is in demand in the countries with whom we have large trade deficits; (2) Now that the declining dollar has restored our comparative advantage in tourism, we should be working harder to increase our sales of tourism services to other countries; (3) by selling more tourism and passenger transport services to Japan, the rest of Asia and Western Europe, we can affect our overall trade deficit.

To do the latter, we must compete harder.

COMPETITIVE ENVIRONMENT

International tourism is one of the most competitive businesses in the world. In their book, "The Golden Hordes," authors Louis Turner and John Ash observe that, "in most industries, competition is between companies; in tourism, we are dealing with rivalry between nations."

More than 170 countries maintain a national tourism office of one form or another to develop and attract inbound tourism business. Most of these offices are agencies of countries which have gained independence since the end of World War II and have been described as "developing nations."

As they have ventured into the international tourism marketplace, competition for the world's tourism business has intensified; there have been both gainers and losers. Between 1976 and 1985, North America's share of international tourism arrivals has decreased from nearly 14 percent to less than 10 percent and its share of international tourism receipts has decreased from 18 percent to 16 percent (tables IV and V).

TABLE IV.—REGIONAL SHARES OF INTERNATIONAL TOURIST ARRIVALS, 1976–85

[Millions]

	1976 arrivals	Percent share	1985 arrivals	Percent share
World	220.7	100.0	333.0	100.0
Africa	4.4	2.0	9.1	2.7
North America	30.5	13.8	32.5	9.8
Central and South America and the Caribbean	13.8	6.3	20.3	6.1
East Asia and the Pacific	9.5	4.3	37.0	11.1
Europe	157.8	71.5	224.5	67.4
Middle East	3.8	1.7	7.1	2.1
South Asia	1.7	.7	2.5	.7

Source: World Tourism Organization, Tourism Compendium, 1981 edition, table 2, International Tourist Arrivals by Region, 1950–80, p. 32, and World Tourism Organization, Tourism Compendium, Seventh Edition, 1986, World and Regional Totals, pp. 154–193.

TABLE V.—REGIONAL SHARES OF INTERNATIONAL TOURISM RECEIPTS, 1976–85

[MILLIONS OF SDR'S]

	1976 receipts	Percent share	1985 receipts	Percent share
World	37.4	100.0	94.5	100.0
Industrial countries	29.3	78.3	69.8	73.9
Developing countries	8.1	21.7	24.7	26.1
Africa	.8	2.1	2.5	2.6
Asia	1.6	4.3	6.9	7.3
Europe	1.5	4.0	5.8	6.1
Middle East	.6	1.6	1.8	1.9
Western Hemisphere	3.5	9.4	7.7	8.1

Source: International Monetary, Fund, Balance of Payments Statistics, vol. 37, Yearbook, part 2, 1986.
Note.—An SDR is a unit of account used by the International Monetary Fund. Its value is based on the value of a basket of currencies and fluctuates accordingly. In 1985, the conversion rate for U.S. dollars per SDR was 1.0153.

Europe's share of arrivals has reduced from roughly 72 percent to 67 percent and its share of receipts, from 66 percent to 62 percent. Meanwhile, East Asia's share of arrivals has expanded from slightly more than 4 percent to more than 11 percent and is share of receipts has increased from a little more than 4 percent to over 7 percent. Africa and the Middle East have also recorded gains.

Let me interject an observation: Increased competition from other countries is not the only reason North America's market share has eroded over the last ten years. The relatively high value of the U.S. dollar vis-a-vis other, major national currencies has had a dampening effect on travel to the United States. Now that the dollar is at its lowest level in five years, there is an opportunity to regain and expand our share of the international travel market. I will elaborate upon this idea shortly.

There is every indication that stiff competition in the international tourism marketplace will continue. Increasingly, governments are viewing tourism as an economic development tool because it does generate foreign exchange and because it creates job opportunities and exerts a "multipler effect" on national income. Both governments and the private sector have invested billions in commercial civil aviation fleets, airports, infrastructure, hotels, resorts, game parks and tourism training. In the five years between 1981 and 1985, world accommodation capacity expanded by more than 1.2 million rooms. Growth of this magnitude has raised the stakes in the international tourism competition and virturally assures that both nations and companies will continue to compete for international business to ensure the viability of their investments.

Despite this fact, however, I am confident that both the U.S. share of the international tourism market and U.S. international tourism earnings can be increased. Last year marked an apparent turning point in the United States' international trade in tourism. the decline in the value of the dollar began to restore this country's comparative advantage in tourism and the price-competitiveness of the U.S. tourism product.

During the first three quarters of the year: U.S. tourism receipts reached a record $12.9 billion, nearly 11 percent more than 1985 earnings for the same period (Table VI); U.S. fare receipts from foreign passengers exceeded $2.8 billion, 13 percent more than 1985;—tourism and fare receipts together exceeded $15.7 billion, 11 percent more than 1985 revenues for the same period;—U.S. sales of tourism and passenger transportation services to Western Europe rose more than 29 percent, to $2.9 billion;

I might add, parenthetically, that last year was the first year since 1981 that our travel/passenger transportation deficit decreased.

Another reason I am optimistic is that barriers to trade in services are to be discussed during the Uruguay round of trade talks, and if impediments to trade in tourism—especially quantitative quota-type restrictions—can be reduced or eliminated, the volume of tourism services traded worldwide should expand. If this occurs, our tourism receipts would expand even if our market share were to remain constant.

TABLE VI.—U.S. INTERNATIONAL TRAVEL RECEIPTS AND PAYMENTS PRELIMINARY ESTIMATES FOR CALENDAR YEAR 1986

[Dollars in millions]

	International travel receipts	Percent change 86/85	International travel payments	Percent change 86/85	Balance
Canada	$3,178	5	$3,276	22	($98)
Mexico	1,894	−6	3,923	10	(2,029)
Overseas countries	7,855	19	10,590	3	(2,735)
Western Europe	2,924	29	5,018	−9	(2,094)
United Kingdom	580	33	1,429	−13	(849)
South America, Central America, and Caribbean	1,839	18	2,562	17	(723)
Japan	1,610	14	737	62	(873)
Australia, New Zealand, and South Africa	495	12	720	17	(225)
Other	987	5	1,553	4	(566)
Total all countries	12,927	11	17,789	8	(4,862)
Transportation	[1] 2,806	13	6,833	−7	(4,027)
Grand total	15,733	11	24,622	3.3	(8,889)

[1] USTTA estimate.

Source: Bureau of Economic Analysis.

In addition to the declining dollar and the new round of trade talks, marketing, or the development of visitor services, is mandatory if we are to regain our competitiveness. There are too many examples which show that decreased marketing efforts

has lead to declining revenues for even the most established and recognized resort areas.

Last year, USTTA successfully initiated and implemented a cooperative advertising campaign in West Germany from December 1985 to May 1986. USTTA enlisted 44 new partners whose total cost for advertising in 10 German language magazines was $2.8 million. USTTA's share of the cost was $700,000 of the $3.5 million dollar campaign. Our evaluation showed that USTTA's contribution alone generated 5,300 new German visitors to the U.S. who spent $10.7 million dollars which resulted in a $15 to $1 return-on-investment.

The U.S. travel industry, including the travel-related establishments in your States, must establish a bridgehead in the international marketplace—as the travel industries of other nations have done—if the United States is to compete effectively for international business. Although a number of U.S. travel-related firms are active in foreign markets, the vast majority of the U.S. industry concentrates on the U.S. domestic market. This is mainly because:

The domestic market generates such large revenues that it overshadows the potential to do business internationally.

Tourism officials don't know their organization has market potential overseas.

People think foreign visitors will travel only to U.S. gateway cities.

Public and private sector groups believe it costs hundreds of thousands of dollars, or more, to successfully penetrate a foreign market.

U.S. firms and government agencies do not have an international marketing plan and/or feel they don't have the expertise to develop one.

Tourism officials don't know how to join with other organizations in their region to develop and implement cooperative international marketing programs.

USTTA PROGRAMS THAT HELP THE INDUSTRY COMPETE

USTTA counters the influence of these and other mistaken perceptions by annually carrying out regional marketing seminars throughout the United States and by holding a national tourism conference in Washington, D.C. At these meetings business and government officials discuss with USTTA staff inbound tourist statistics, target markets, and appropriate promotional activities. The result of these conferences is the formation of international marketing committees and regional marketing plans.

The marketing plans adopted at regional and national meetings provide the vehicle by which organizations can either begin or continue to successfully penetrate foreign markets at reasonable cost. Hundreds of U.S. companies, States, and cities are working in partnership with USTTA to carry out foreign operations because the agency: conducts comprehensive market research which is used as the basis for developing marketing plans; identifies high potential foreign target markets; develops detailed international co-op marketing campaigns; has foreign field staff that advise U.S. suppliers on how best to implement co-op marketing activities; implements programs that have been shown to generate substantial new flows of tourism to the United States and yield high return-on-investment, with USTTA's average ROI for 1986 being $17 to $1; and implements co-op campaigns in which U.S. suppliers can participate.

USTTA carries out cooperative marketing campaigns through its field offices in ten major tourism generating countries around the world. The agency also has active promotional programs in 14 secondary markets. These initiatives are implemented with the assistance of the U.S. foreign commercial service and local "visit USA" committees composed of members of the foreign tourism trade.

In 1986, more than 1,875 cooperative marketing partners, including 35 States, 32 municipalities, four counties, and private industry participated in USTTA coordinated cooperative marketing campaigns. In 1987, we hope to recruit at least 1,935 such partners and $5.4 million in partner funding.

Information on all USTTA programs is published in the agency's cooperative marketing opportunities manual, which is sent over 2,000 U.S. public and private sector tourism officials approximately twice a year.

USTTA EMPHASIZES REGIONAL INTERNATIONAL MARKETING PROGRAMS

In a effort to involve as many companies, States, and cities as possible in foreign marketing programs, USTTA began in December 1985 to develop 3-5 year international marketing plans with U.S. regional tourism organizations. Today the regional groups with which USTTA works cover a large cross section of the industry and include members from 46 of the 50 States.

Regional tourism promotions can be highly effective in foreign markets. This is in part due to the fact that the average foreign tourist visits two or three States during his vacation in the United States.

Other, related objectives during the year include: Attracting at least 40 international meetings to U.S. venues; acquainting at least 1,445 foreign wholesale travel agents with packageable U.S. destinations and assisting them to develop U.S. tour programs for their respective markets; servicing 537,000 inquiries from the foreign, general public; servicing 173,500 inquires from the foreign travel trade; organizing 31 trade shows; making at least 27,200 sales calls on the foreign travel trade; training 12,700 foreign travel agents and tour operators at 103 workshops or seminars; assisting 53 U.S. travel missions; and issuing 350 research reports.

THE ROLE OF RESEARCH

Certainly one of USTTA's most important programs is research.

Our research activities enable us to closely track the volume, composition, and changes in the sensitive inbound travel market, on a monthly basis and to provide this information to the travel industry and other public agencies.

Our in-flight survey generates extensive, detailed data on the characteristics, travel habits, and spending patterns of our foreign guests and Americans traveling abroad. Importantly, this program is also enabling the Department to upgrade the reliability of the international travel receipt and expenditure data in the U.S. international transaction tables. The in-flight survey also provides a basis for assessing the level of foreign travel at the state and destination level—information unavailable prior to the inception of this program. Approximately 35 U.S. and foreign air carriers are participating in the survey, providing in-kind services on a voluntary, cooperative basis.

Periodically, we conduct economic impact studies to provide basic information on the impact of foreign visitor spending in the United States, at the national, regional, and state levels. These reports indicate the power of foreign visitor dollars in generating business receipts, jobs, payroll, and tax revenues. Information of this nature is invaluable in educating potential, new cooperative partners about the importance of the inbound market.

We conduct consumer surveys to gather vital information about both actual and potential travel markets. The studies establish America's competitive positioning in the foreign marketplace, potential travelers' characteristics, prime target market segments, and their images, attitudes, needs, and international travel preferences—data which provide guidance in developing marketing strategies and promotional campaigns. We have just finished our first series of such studies in four major foreign markets in which we jointly sponsored surveys with another national tourist office, Tourism Canada. This innovative approach has proven highly effective, and we have plans to continue this joint program with Canada again this year.

Three times each year, we issue updated projections on the inbound travel market to this country, and annually, we provide forecasts for outbound U.S. travel. These data enable the U.S. industry to assess—and plan for—impending changes in the marketplace, and to respond with appropriate new marketing strategies.

Our new regional marketing program provides a god example of how these high-impact research data are applied. For a specific U.S. multi-state region, USTTA will prepare a market assessment and planning report. This report incorporates the vaious data we have available, identifies the size of the inbound market for that region, assesses the economic impact of foreign visitors' spending there, defines the prime target market countires and target consumer groups in each country, and recommends marketing strategies to capture a larger share of the market for the region. These recommendations are based on the "product" the region has to offer and the expectations, needs, and perceptions of foreign travel consumers. None of this would be possible without research.

While the research I have described is crucial to USTTA and the industry, we also place great emphasis on another, relatively new type of research carried out by the agency: program evaluation. Our evaluation research studies assess the effectiveness and impact of USTTA marketing programs. Currently, program evaluation includes coupon conversion studies of print media campaigns, tracking changes in visitation patterns of specific target market groups, and follow-up surveys of foreign, trade show participants. The results of these studies provide management with return-on-investment information and decision-making tools which guide our resource allocation decisions. Interestingly, we were able to determine from our studies of cooperative advertising campaigns in five USTTA market countries in FY

1986, that the agency's share of funds invested had produced a rate of return of 17 to 1.

USTTA's plans to engage in a variety of activities to promote international travel to the United States will depend on congressional approval of the travel promotion fee to finance these programs. I look forward to working with the members of this subcommittee to see that the fee proposal is approved in the 1988 budget.

That concludes my testimony. I would be pleased to respond to any questions.

Senator ROCKEFELLER. Thank you very much, Secretary Tuttle. We are very grateful to you.

What were the results of those, incidentally?

Ms. TUTTLE. Well, they are still running. We released them last week. They just started in Great Britain. TWA has someone special on the phone to answer the calls. They have been getting a lot of calls.

They think we are going to do very well with it.

Senator ROCKEFELLER. Very good.

Let us get right down to the user fee business. Leaders of the industry, I think it is fair to say, are not wildly enthusiastic at this point. You may be able to persuade them, but what they are saying is that they have got too many fees to begin with.

They have got a $5 customs fee, they have got an immigration fee, they have got a new agricultural fee that is being proposed, and a $3 international departure tax. And they say this is not fair; that they are being selected out; they are only a part of the business and yet they are being selected out to have to carry this user fee matter.

They do not like the fact that it is going into the general fund, or at least a part of it is. They have objection to the fact that the place that it is going to, that it does not produce for tourism in the first place. And they object to it very strongly.

From my point of view, I am interested, one, in how you react to what it is that they say, to their objections. And then I would like to hear if you have any counter-proposals that would in some way modify your proposal, if you are persuaded by their objections.

If you are not, I would like to hear your defense.

Ms. TUTTLE. First of all, I have been in this job almost four years and this has been a continuing subject: How do we fund USTTA? The subject has been debated for a long time, way before I came into the agency.

In the past they have looked at different ways to assess the industry, perhaps even the states and the cities. As we well know, it is a very large industry. It is composed of so many different elements that there was no possible way that they could see to actually get the support funds from the industry that directly benefits.

Because of the deficit, the administration was looking at fees to reimburse the agency. And we spent a long time going through all of the different components to detamine who really benefits, we concluded everyone benefits from tourism, there is no doubt about it.

In some cases, hotels are currently carrying the burden of domestic tourism with a room tax; therefore they are already making a significant contribution. We felt, obviously, that the financial collection mechanics of the airlines were in place and that it would be a much easier process to collect from the airlines, who were the direct beneficiaries.

I realize that they are concerned and I think they have a legitimate concern. I would never want to see the airlines or the industry used as a source of general revenue generation, and in fact that is why we came in with only a dollar. If we could have, we would have come in with 75 cents or 50 cents, just to fund the $12 million agency.

We were informed if we were going to come in with any kind of a fee, to eliminate collection complexity it should be at an even dollar level proposal. So that is why we came in with a dollar proposal.

To elimimate the concern about where the money was going, we decided to have the money come directly to the Department of Commerce versus the Treasury, as is customary with other agencies collections.

The excess fees, yes, that happens to be a question: What would you do with the excess fees? Right now they go back to the Treasury. I think that is something in years to come that we could talk about. There are certainly a lot of needs that would support the industry. There is a national travel survey that has not been done for years.

And so I think there are things we could do with the extra money. It seemed to me a minimal amount. One dollar certainly was not going to discourage anyone from traveling not one dollar. It is a way to fund the agency and get it off the back of government.

And there is clearly a mechanism in place with which to collect that one dollar. So that was the proposal we came up with.

Senator ROCKEFELLER. What would happen if it were not to prevail? Do you think that the Administration would support at least continuing levels of support for USTTA?

Ms. TUTTLE. No. I think the administration would like to see USTTA exist, but I think only on the basis that it be funded in some way from the industry.

Senator ROCKEFELLER. Can you think of any modification of a user fee approach, for example some consolidation where you get various fees that I mentioned before and consolidate them into a single collected fee?

Ms. TUTTLE. Well, we had a Tourism Policy Council meeting on this very subject, because there was some concern about how the fees were collected. It seems that we keep adding a new fee each year and it was recommended with the concurrence of IATA, that we collect all the fees together and have it under a one "facilitation fee."

They were not really so concerned who disbursed the funds. The five dollars goes to Customs. They did not want to know where it went, but they just wanted a single fee to deliver and to deal with. And they also wanted it at the point of departure to be collected by the government, so the airlines would not have to worry about it.

It also would show that that fee were not connected to the airlines. The airlines would not have to take the brunt of it; it would clearly be imposed by the government and collected by the government.

So that idea was proposed.

Senator ROCKEFELLER. Well, as you described it it might get rid of some of the objections. It is a consolidated departure tax. Would that be something you could support?

Ms. TUTTLE. It is something that I personally feel would be a good idea. We have not taken a stand on it, nor has the Administration. It is still in the very, very early discussion stages between DOT, Customs, and Immigration. But there have been some meetings held on this subject.

Senator ROCKEFELLER. Okay. I should recognize that one of our distinguished ranking members, Senator Pete Wilson from California, who not only has at least one witness that he is very interested in here today, but is obviously from a state which has an incredible volume of tourism, and is interested in matters of foreign commerce of all sorts.

We welcome you here, Senator Wilson, and would welcome any comments which you would have to make.

OPENING STATEMENT BY SENATOR WILSON

Senator WILSON. Thank you very much, Mr. Chairman.

I apologize for being tardy, and my tardiness in no way is an indication of my interest. You are quite correct, I thank you for your comment, which is quite accurate in terms of my interest.

As a Member of this Committee representing a State which depends heavily upon the tourism industry, I want to thank you for holding this important Subcommittee hearing today. Passage of legislation to reauthorize funding for the United States Travel and Tourism Administration is a goal which we must attain as soon as possible.

A thriving tourism industry is crucial to the economic health of California. The travel and tourism industry was the third largest employer in our State during 1984—the last year for which such statistics are avilable—and 5.4 percent of all jobs in California were generated by the industry. More workers are employed in the travel and tourism industries in California than in any other State. Tourists spent over $87 million per day in California during 1984, and foreign visitors contributed almost $3 billion to our State's economy during that same year.

Nationally, the travel industry is the third largest retail or service industry in the U.S. Travel receipts account for a little over 6 percent of US GNP and almost 4 percent of the combined tax revenues of Federal, state, and local governments in 1985.

I am very pleased that presenting testimony before our Subcommittee this morning is a good friend, the Honorable Donna Tuttle, Under Secretary of Commerce for Travel and Tourism. As the head of USTTA, Mrs. Tuttle is the highest-ranking woman in the U.S. Department of Commerce. I have had the pleasure of knowing Mrs. Tuttle for many years. Her tenure as Under Secretary has been most distinguished. In 1984, Mrs. Tuttle was named Woman of the Year by the Travel Industry Association, in addition to having received numerous other awards and honors from all segments of the travel and tourism industry.

Also testifying this afternoon will be Mr. Bill Miller of the Long Beach, CA, Convention Center. Mr. Miller will present testimony

which will include examples of successful USTTA promotional campaigns, and I look forward to reviewing his presentation.

Today's subcommittee hearing will provide us with a comprehensive overview of USTTA's activities, and will focus on the effectiveness of cooperative advertising in promoting U.S. regional destinations overseas. In addition, we will examine the viability of the administration's proposal to fund the continuation of the USTAA through the collection of a user fee from inbound air and cruise ship passengers.

I want to thank you again, Mr. Chairman, for holding this important hearing today, and I look forward to working with you and our colleagues to fashion responsible and timely reauthorization legislation.

I have interest in at least two of the witnesses. Actually, I have interest in all of them because, as you have pointed out, California is a state that is perhaps even more affected by tourism than most. We have a thriving travel and tourism industry there.

In fact, it accounts for 5.4 percent of all the jobs in the state. We have worked both at the local level, with so-called bed taxes or room taxes to generate funds for promotion of that industry; and the state, on a more modest basis, has also supported tourism. And of course, naturally, the travel industry is the third largest retail or service industry in the country.

Almost six percent, or actually I guess a little more than six percent of our GNP, now results from travel receipts; and about four percent, as I understand it, of the combined Federal, state and local tax revenues derive from that activity.

So it is well worth the attention that we are giving it, and I commend you for convening this hearing. And I am also very pleased to have the opportunity, somewhat belatedly, to present to the committee Mrs. Tuttle, who really obviously needs no introduction.

And as an unabashed advocate of tourism as an employer for many, many years myself, having labored for some years as the Mayor of San Diego to bring jobs to that community, I was always impressed with the great potential which it held. It is an environmentally clean industry, it is an industry that offers employment at entry level to people of rather limited skills and offers them the opportunity for distinct upward mobility.

I am told that John Naisbett in *Megatrends* is noting one that perhaps has not escaped anybody else's notice, either, and that is that this growing industry may become the largest single industry worldwide, if it has not already.

I think the prediction is that it most assuredly will by the turn of the century. I think it will achieve that well in advance of that date.

But because of that, I am delighted that you have undertaken this hearing, Senator Rockefeller I am also very interested in the testimony of Mr. Bill Miller, who will be representing the Long Beach Convention Center here this afternoon. As I understand it, his testimony will include examples of successful USTTA promotional campaigns, so I am particularly interested in his presentation.

I think today's subcommittee hearing will provide us with a very comprehensive overview of USTTA's activities and focus on the ef-

fectiveness of cooperative advertisement in promoting U.S. regional destinations overseas.

Also, I gather that I came in just as you were examining the Administration proposal for collection of a user fee from inbound air and ship cruise passengers, or cruise ship passengers, to assist in the financing of these promotional campaigns.

So I thank you, Mr. Chairman. I am delighted to present Mrs. Tuttle. I will take no more time so that you may pursue your questions. I thank you for your courtesy in interrupting the hearing to allow me to make that statement.

Senator ROCKEFELLER. Thank you, Senator Wilson.

I might point out that part of the urgency of this whole question of funding of USTTA comes from the fact that you in fact as an agency have never been reauthorized, and it just has not worked that way. The Administration has proposed its elimination, the Senate technically has come through. The House has declined to come through, and then in the conference committees or the Appropriations Committee it is worked out. That is not much of a way to get at the objective.

So let us get back to this question of user fees. You know tourism as well or better than anybody in this country. You have spoken as to hotels and some other entities that pay different kinds of fees and taxes. Nevertheless, the fee that you have proposed is primarily on airlines and cruise ships, to which, as I indicated in my earlier statement, they say. Why pick on us? There are a lot of other folks that are involved in tourism also.

How do you reply to that?

Ms. TUTTLE. Well, again, they are the direct beneficiary of that money when it immediately comes in. After it leaves the airlines, the money becomes diffused in terms of destinations.

If we had looked at states and cities, which we did, how would you assess them? How would you assess it—the money becomes more diffused, obviously, in its multiplier effect.

So we looked at the direct beneficiaries, which we felt were the airlines.

Senator ROCKEFELLER. So the idea of a consolidated modification, so to speak, is one that you would be willing to consider?

Ms. TUTTLE. Yes.

Senator ROCKEFELLER. You prefer what you proposed?

Ms. TUTTLE. No, I would be very, very willing to consider modifying it. But I am not sure that solves the airlines' problems, because it still imposes certain fees on them.

However, I think that that would help alleviate a collection process that right now is a little confusing.

Senator ROCKEFELLER. Then presumably you would indicate that would take care of the payment of a number of services, including USTTA?

Ms. TUTTLE. That is right.

Senator ROCKEFELLER. So you would prefer what you proposed, but you would accept the second also?

Ms. TUTTLE. Absolutely.

Senator ROCKEFELLER. Are there any other modifications that make sense to you?

Ms. TUTTLE. You know, I have had discussions with the industry and I would be open to any other suggestions, I have sought recommendations and welcome the opportunity to look at other sources of funding and see if we can work something out.

I think the question needs to be dealt with.

Senator ROCKEFELLER. All right.

Senator Wilson, any time you want to break in, obviously do so.

Senator WILSON. Thank you, Mr. Chairman.

Senator ROCKEFELLER. Western Europe, South American countries, Pacific Rim countries, it is fascinating what is happening with the Japanese tourists. It is going to be interesting a little later to hear from Randy Worls from West Virginia what is happening in his section of the country.

But there is a prediction for a big increase in people coming from those countries to this country. Now, as I understand it one of the things that really upsets them when they get here, at least in past years, is that they have long waiting lines at U.S. ports of entry.

Now, there has been a fee which is being done by Customs and INS, purportedly to help resolve that problem. It is meant to get rid of the problem, alleviate it, make it more tolerable. I am not sure. We will hear a little more about that later.

But as you understand it, is this a source of concern? Do you think we are going to get a bad image in terms of folks coming from overseas as lines get longer, as they do? What is your concern about that?

Ms. TUTTLE. I think it is a major concern. I think it even starts before that. I think it starts when they get their visas and they stand in line.

I was just in Europe last week and I saw the visa lines both in Paris and London outside the embassy. And I went up to the window and asked why they were taking so long, and I asked people how long they had waited in line. I am concerned about that.

We held a Tourism Policy Council meeting on all of these subjects about two months ago, and at that time the visa department told us that they indeed were worried, too, that they were not going to be able to handle the flow of people applying for visas.

This is something that we have talked about within our offices, and I think we may end up offering to send some of our people over there during some of the peak times, to see if we can help with some of the workload. But we have warned them that we see huge increases coming in so we hope they are prepared for it.

Immigrations and Customs, yes, we are very concerned. Customs has hired people to implement, a new mechanism, and again they could tell you more about it, but it is a roving officer, which seems to be very effective. We hope this will eliminate part of the wait prior to processing.

While you are waiting in line, he goes around to the different lines and if there are no problems sends you right straight through. And that has alleviated a great deal of congestion.

Immigration told us that with their extra money they were hiring additional people who would come on board to take care of the long lines, because they are there. I know they are there.

And so it is something that we will continue to discuss.

Senator ROCKEFELLER. How many tourists are you expecting this year?

Ms. TUTTLE. We are expecting a little over 23 million. It keeps increasing by a million and a half every year for the last couple of years. And I do not think people really believed us last year.

We had a 27 percent increase overall from Europe. We had a 16 percent increase from the Pacific Basin. These are big numbers so I think they believe us now.

Senator ROCKEFELLER. Your tape was interesting because it makes the point which I observed when I was governor, that in order for this to work you have got to market. Now, we have only begun to market. That is, you have only begun, on a partnership basis with others.

And this is a first and it is very exciting, and I think it is going to have very good results. However, you do not have a lot of money. How do you correlated increased possibilities, matching that together with more money for promotion overseas?

And what do you plan to do to leverage what money you do have to get more of what you have shown us, so we can get more people?

Ms. TUTTLE. Well, number one, when I offered to be a partner in this commercial, I did it with the idea that I would have enough money to offer the same opportunity to other regions. So I did make sure of that. It certainly was not going to be just one region.

And so, as I said, we are trying to put something else together with another airline and another region, and there is some money for that. I do parlay the money, because I do not have enough to do it on my own. Every project that we do, we seek at least a four-to-one ratio.

Private industry, especially with the fact that there has been so much increased awareness of inbound tourism; the number of states and cities who are promoting has increased. Industry has joined in our partnerships. And it is by leveraging with other partners we have been able to do a lot more.

We are now looking at this regional concept, where we might take a commercial, perhaps on the entire South, and that way more entities could come in at a much smaller cost. And again, we will be able to leverage ourselves pretty well.

Senator ROCKEFELLER. I think that is interesting. In other words, what you are proposing is that you do not market states, but you market coherent regions, like West Virginia, for example, would be in George Washington country, so you would have Maryland, Virginia, West Virginia, and several places.

I guess D.C. is in that area also, so that the theory is that if you can get people to New York, and you can get people to California, and certain other cities and states, but that your theory is that if you can get them into an area and then promote a broader area they will proceed to go.

Ms. TUTTLE. That is right. Plus we are trying to promote more than the gateway. We are actually trying to promote the tourism aspect of it, as you saw from those scenes.

We know that the foreign visitor travels by car, three to four states. He feels very comfortable. 80 percent of the time the traveler is a repeat traveler, so he is very willing to get in a car and drive around.

We want to encourage, that he visits two, three, or four states. And the regional aspect does that, and commercials like this do it.

Senator ROCKEFELLER. Are the Japanese, as they are increasing dramatically, and those from the Pacific Rim, are they more hesitant to branch out into regions, or are they more likely to go to cities that they know of, whereas Canadians and others will move much more easily?

Ms. TUTTLE. They are less likely to branch out in a car by themselves. But they are definitely on the East Coast, they are in regions that they have never been in before. New York City just released that the largest number of overseas visits to New York City is from Japan. They have about 380,000 international Japanese coming in.

So they are definitely on the East Coast. They are no longer just in Hawaii. So the Japanese are much more venturesome than we think, but they do tend to travel in groups, there is no doubt about that. The majority of them do.

Senator ROCKEFELLER. There is nothing wrong with volume.

Let us talk about terrorism. Again, Senator Wilson, if you want to break in please do so.

Last year there was a lot of concern about terrorism internationally, and I know that there was a lot of work done by you and your folks and the private sector to prepare people for that. There is not quite as much about it in the news now.

But on the other hand, we are just coming towards the summer season. What are you doing in USTTA to worry about the problems of terrorism, to prepare people for that and get information out about that?

Ms. TUTTLE. Well, there obviously certainly is not anything we can do to prevent terrorism in this agency. But we found that one of the problems is, from our last experience, that we were all caught very unprepared, and we were unprepared with the Federal agencies that I deal with. We were unprepared with responses to the press, to our own consumers, who obviously had legitimate questions about the safety of travel.

And so we have put together a crisis plan, not just for terrorism but for any kind of crisis. And this plan lays out what the agency's response would be with industry to the consumer, to the press, and to other agencies in the government.

We found from last year that there were agencies all the way from the State Department to the White House who really did not understand the connection between the travel industry and terrorism. Why would the travel industry be so concerned about what was happening in Europe with terrorism? I mean, they honestly did not understand the economic impact that was happening.

And so we will do a lot of educating of agencies with government about what our role is, the statistics we have, how we think we can be helpful, with a lot of input from industry, and then hopefully we will have a catalytic role also with industry so that we can bring forth some good spokesmen to put them on the television and in the media, so that they can reassure people that indeed travel is basically a very safe business.

Senator ROCKEFELLER. Secretary Tuttle, I just have one final question for you. If you had an additional $5 million over what we are now discussing, what would you do with it?

Ms. TUTTLE. That is a great question. I wish my husband would ask me that.

There are some things that, some programs that we have not been able to do for quite some time. And I think it is very well known, because I think there was a hearing on it some time either a year ago or it could have been as much as two years ago.

A national travel survey used to be taken. The last time it was taken was in 1977. That survey gives really detailed information about travel and tourism to the small businessman, to the small travel agent, to the small states who do not have the capability of gathering that information.

That indeed would be something. We have had meetings on this. You are probably talking about a survey that costs somewhere between $5 and $7 million. That is very——

Senator ROCKEFELLER. Could you explain what would go into that that would be helpful to the smaller businesses out there?

Ms. TUTTLE. Some of it is by telephone and some of it is meeting with the actual traveling public, sitting down and asking them how they travel, where they travel, what kind of money they spend, what they are looking for in travel, the purpose, how long, how often, what periods of time, giving you a whole attitude and perception of the traveler, to give marketing information.

Companies certainly can get this on their own. We gather it on international flights right now and we disperse it. But this is even more detailed, about the American traveling public.

That would be very beneficial to the industry. That is something that certainly the money could be used for. Obviously, the more money we have, the more programs that we would like to leverage with the industry.

I definitely feel, even if I had all the money, I would never market by myself. I think the most effective way to market is in conjunction with a destination, with a convention bureau, a state travel director, and with industry.

I think that is the only way, and I think I have the most envious position in the whole world because I have that going on and there are not many countries that do.

Senator ROCKEFELLER. Senator Wilson.

Senator WILSON. Thank you, Mr. Chairman.

Let me pick up on that last point, Mrs. Tuttle, because I am not surprised to hear you say that. But I would be interested in a little elaboration. It is interesting to me, having observed a local convention and visitors bureau that was funded in part, in fairly hefty part, by public funds generated by a transient occupancy tax. Those funds were always used in conjunction with private funds for the cooperative marketing of destinations and of activities within a particular destination.

In fact, because of our position, our geographic location, San Diego County convention visitors bureau was actively involved in an international promotion with the Mexican government. And one of the members of our San Diego County convention visitors

bureau was the Baja California tourism department of the state government there.

We also went to Mexico City on occasion and worked out marketing programs with a number of the major carriers. Western Airlines, for example, was very interested in trying to sell California destinations to Mexican family customers planning a family vacation.

And of course, with San Diego and Disneyland and the Bay Area, there were a number of opportunities for that specific kind of marketing. And they have proved to be quite successful. I would note that this held true even in times of varying economic health overall.

So I would be interested in your elaborating a little bit on some of the successes you have had in that kind of cooperative marketing. And I will give you a broader question. Within the context of what has occurred since last year, you might want to tell us about some of the progress about which you are most enthused.

Ms. TUTTLE. I think probably the best example is that the initial program that we inaugurated in West Germany, there probably were around six American companies that were promoting in West Germany and we decided to do a campaign there.

Now, we spent a little less than a million dollars, and we could have done it all by ourselves, but there is no doubt that by pulling in different destinations, partners—we pulled in 44 of them who spent their own additional $2.5 million—we ended up with close to a $3.5 million campaign. We were able to get into ten consumer magazines.

Los Angeles was one of the participants in this program, and what it meant was for Los Angeles that, instead of them having a single ad in a consumer magazine, they now were in a 40 page supplement that was entirely on the United States, half of it on editorial copy, talking about recreation, very general themes, talking about fly-drive, how you could drive a car through America, how friendly it was, the food in America.

That ad of Los Angeles' stood out much more than it ever would, had it been all by itself, besides the fact that they got a better rate because we were ensuring 40 pages versus just one page.

So I mean, everyone seems to benefit by this—states, cities, industry, and clearly ourselves. You do two things, too. You not only sell your own product, but you sell the destination.

And the first thing you have to sell is the United States. You have to first bring them in before they will even come to the State or before they will come to the property or buy the product.

Was your question that—your other question was how has it changed?

Senator WILSON. What I was really asking for was just something in the way of an update, and what do you think some of the greater success stories have been? And also, conversely, this is really another way of stating the chairman's question. He said, what would you do if you had $5 million more.

I might just ask you, what are the success stories and where do you think that we need greater effort? And they may be in the same places. If not, I would be interested to learn your views.

Ms. TUTTLE. I think the success story is that tourism is no longer at just the major gateways. It really is secondary markets it is secondary destinations that are becoming very well known in the international marketplace. And you can tell because of the increased activity, the number of participants who are going out into the marketplace. And that is how we have been judging our effectiveness.

Someone said, well, can you tell me just how many visitors are you personally responsible for? I cannot tell you that, and I do not think you could ever find it out. I do not even purport to try and do that.

What I can tell you, though, is how many people have gone into the marketplace because of us, and how that number has increased. I think that shows a great deal, and I think we will get a lot of benefits from that. That is really the success story.

Senator WILSON. Could you tell me what USTTA is doing and, for that matter, what the industry is doing by way of monitoring the strength of the dollar? That has such an obvious, I think, impact on the predictable volume of tourism here.

Ms. TUTTLE. It does. Clearly, the dollar has made a major impact. I think what it has done is create a great deal of interest here in the United States, which is great for the agency. The number of partners has increased. The willingness of the industry to do any kinds of promotions, from car rallies to more television promotions—all of it has had a very positive impact, and it is certainly the time to do even more to take advantage of this ideal situation for us.

Senator WILSON. From your comments a moment ago, I would gather that you found—and what you were describing at that time I take to be a travel supplement to local newspapers—that there is in fact a critical mass. It is not unlike the experience of shopping center developers who learn that two department stores are better than one and three better than two and four better than three, as the anchor for all the specialty shops, and that the whole generates much greater traffic.

I would assume that there might be a similar experience in that the 40 page supplement is likely to be kept and saved even after the newspaper that brought it is thrown out, whereas something that is of lesser magnitude and less attention-getting will in fact generate less attention.

Ms. TUTTLE. That is exactly the principle.

Senator WILSON. So for the same money, if you were able to achieve this cooperative critical mass, you get an awful lot more in the way of audience.

Ms. TUTTLE. You do. We also included a coupon in these supplements, and so this meant that those people that sent the coupon into our office were very serious travelers. And in return, we sent them a fulfillment piece covering different regions of the United States.

So they got a lot more information about the United States, and they checked off what they were interested in, what region. So it has worked out very well.

Senator WILSON. What is the breakdown between print and television?

Ms. TUTTLE. It is all print. This is our first television ad, so this is the first time we have done this. The advertising we have done in the past was all print, except for this one ad. This is the first time we have ever done this.

Senator WILSON. I hope that there is a way to generate greater funds because I am convinced, Mr. Chairman, that this industry is one that is peculiarly capable of increasing its volume through aggressive merchandising. I think that it is one thing to have the better mousetrap, but you really have to aggressively compete for the attention of those with the discretionary income.

You know, business travelers will come because they have a business reason to come. But the convention and visitor traveler is much sought-after, and that competition is one that you do not win simply by having a better product. It requires a great deal of merchandising. You have got to be better at the merchandising as well, and I cannot help thinking that if we are successful in finding a way to more aggressively merchandise, we will accelerate the predicted volumes, the growth that we are expecting both in terms of the visitors that come and the employment that they will produce.

This may seem a strange question to you, because it is not directly within your portfolio, but we are obviously very much concerned with the trade imbalance, and looking to the next round of GATT negotiations to try to do something to improve that.

Has your office been at all involved in seeking to establish the importance of travel and tourism in GATT negotiations that are related to trade in services?

Ms. TUTTLE. Yes, we have. We work very closely with USTR and with ITA on this subject, because we have done some studies on it. In fact, right now we are collecting information on most of the countries and the barriers that exist in the area of travel and tourism.

And we found that in regions of the world where there are the fewest amount of barriers, they have the highest spending and have seen the largest growth in tourism in the last ten years compared to other regions where barriers do exist. And the kind of barriers I am talking about are currency controls, how much currency you can actually take out of the country, the use of credit cards, the restriction on credit cards.

Senator WILSON. You are talking about the receiving country, the country visited?

Ms. TUTTLE. That is right. Well, there is a country in Europe that does not allow you to take out more than $250, so it would be very difficult for that person to take any kind of a trip too far away, because he has only $250 to spend.

There is another country that requires a $450 departure fee when you leave that country, so for a family of four it is going to be extremely expensive for anyone to leave that country and travel to the United States.

And those are the kinds of barriers that we are cataloguing. We have done a lot of work in this, in trying to establish perhaps some ground work for a possible free trade agreement with Israel in services. And of course in the last Canadian talks we gave a lot of information about what existed in tourism between the two countries, since we have such large trade in tourism between the two.

Senator WILSON. Have you encountered any nation that is a potential source for a great deal of travel and tourism doing anything to inhibit travel on the part of its nationals?

Ms. TUTTLE. Yes. Yes, there are some countries that are.

Senator WILSON. I mean, other than the Soviet Union.

Ms. TUTTLE. On monetary restrictions, there are some countries that are imposing it which is—clearly restricting travel.

We think that travel is becoming so important to developing countries because it is a source of revenues and foreign exchange, that if we put this out in front and push travel and tourism, first in the GATT, that a lot of countries would be interested.

You know, there is some hesitation, obviously, in looking at services, but we feel that if they looked at travel and tourism first, because everyone is interested and it has become so important to the developing countries, perhaps maybe that is one of the first issues they would take up. And this might help countries to actually attack the issue of services.

And that is why we are doing so much background work on it for USTR. We would like to see it right up there in front, and we think it would make a big difference if you erase the barriers on the kind of money that would be spent worldwide.

Senator WILSON. Mr. Chairman, I have the feeling that we really should let Ms. Tuttle go. I could ask several more questions, but we do have a long list of witnesses, and we have kept her here a long time already. So I will resist the temptation to ask further questions.

Thank you, Ms. Tuttle.

Senator ROCKEFELLER. Let me just say one thing in closing, Secretary Tuttle. I think it is very ironic, in fact, that you are sitting there battling to try and keep a little over $12.2 million for an industry which employs on a daily basis in this country over five million people, and which in my state of West Virginia employs over 28,000 people.

And I think it is symptomatic of a battle that you and those of us who care about tourism fight every day, and that is we have had a very hard time having tourism understood for the powerhouse economically that it in fact is.

I mean, here we have an effort going on around this globe to open up economies, to try and get Japan, for example, to restructure its economy, which in fact will take place. And even without it, the Japanese are traveling in greater numbers.

There is more emphasis on leisure. We are a global village. People are much more curious. Communications have locked us all into one tight little circle, and so we know each other. People are curious. People are—in spite of whatever terrorism exists around the world—people want to travel. They are insisting on it.

It is an explosive industry. But here you are, battling tooth and nail to try to get reauthorization for the first time in a very long time at $12.2 million. There should be no argument. You should not have to show us a TV ad for the United States of America.

You should have the budget to be able to do that on a regular basis. I remember when I was governor of West Virginia, Senator Wilson, I received a lot of criticism from the legislature and other places when we started advertising in Philadelphia and Cincinnati

and Baltimore and Washington, D.C. And it was very interesting. We went out. We had not been doing that, you know.

The idea was that West Virginia is so beautiful it will sell itself, people will come. Well, the world does not work like that. We compete against countries, against other states. That is the way that works.

So we started advertising in D.C., we started advertising in Baltimore. I would then go out to Harper's Ferry and to the eastern panhandle two weeks later, three weeks later, and I would walk up and down the streets of Harper's Ferry and I would say: "Have you noticed anything different in the last couple of weeks?"

They would say. "Yes, as a matter of fact, my business has picked up." "Oh, how much?" "Ten percent, 15 percent, what? I do not know." And it was just so clearly directed to the relationship between promotion and result.

Now, Honda and General Motors spend a lot of time on advertising. Yet tourism is also is a major industry for this country, and yet people have the idea that its wages are not at the manufacturing level and they have the idea that it is a fragmented industry and that it does not represent what in fact we know it does.

So I find that ironic. I find it stupid that we do not recognize it and we do not encourage it and boost it and stand by it stronger. I find it ridiculous that you should be here fighting for financial survival on a yearly basis, in something which is so important to our country.

In any event, you have done a superb job and you continue to. I said that at the beginning, I say it again. We have talked in my office. I have watched what you have done. I have listened to what other people have said about you. I think you are superb.

I think the industry is very fortunate to have you plugging for it. You are climbing mountains because public opinion does not want to give you the credit for what it is that is happening in this country—or maybe you should not get it all, because private industry does most of it. But you are a fighter for it.

And anybody who is helping to fight to maintain five million jobs when there are more of them in the prospect—it is not like the steel or the machine tool industries, where we are trying to hold on and not lose so many hundreds of thousands more.

I mean, this is growth we are talking about. You are fighting for growth and you are doing it on a $12.2 million budget proposed this year and $11.5 million last year, after a severe fight to get that, when the House did nothing. I mean, it is rather ironic.

This is America at its best. As Senator Wilson said, it is clean, it is wholesome, it is family-oriented. It exposes our country in ways which which shows the world how good we are.

So I respect what you are doing. I am grateful that you have come, and we will see what happens with user fees. However that works out, we have got to make sure that you have a thriving USTTA.

Senator WILSON. Mr. Chairman, I am sure that Mrs. Tuttle greets those words with great enthusiasm. I do as well. I second your statement heartily, both in terms of your comments about her and also about the importance of the industry and the importance of its being adequately addressed.

I agree with you, it is ironic, to use your phrase that I think understates it. We are talking about miniscule funding with potential payoffs that are just so far beyond what is invested as to make it seem very strange that we do as little as we do.

But I congratulate you on that statement.

Senator ROCKEFELLER. Thank you, Senator.

Thank you very much, Secretary Tuttle.

Ms. TUTTLE. Thank you.

[The following information was subsequently received for the record:]

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Travel and Tourism
Washington, D.C. 20230

June 25, 1987

Honorable Ernest F. Hollings
Chairman, Committee on Commerce,
Science, and Transportation
United States Senate
Washington, D.C. 20510-6125

Dear Mr. Chairman:

Enclosed are answers to the additional questions transmitted in your letter of June 5, 1987, related to my testimony for authorization of the United States Travel and Tourism Administration.

If additional information is needed, please contact me. Your support of the United States Travel and Tourism Administration is appreciated.

Sincerely,

Donna Tuttle

Donna F. Tuttle
Under Secretary of Commerce
For Travel and Tourism

QUESTIONS FOR UNDER SECRETARY DONNA F. TUTTLE
UNITED STATES TRAVEL AND TOURISM ADMINISTRATION
FROM
ERNEST F. HOLLINGS, CHAIRMAN
U.S. SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION

Question:

As you know, Congress last year included a visa waiver provision in the Immigration Reform and Control Act. It would allow the State Department and the Immigration and Naturalization Service to waive visa requirements for tourist travel in the U.S. for citizens of selected countries-- especially those which normally send us great numbers of tourists and have a low rate of immigration violations here. What is the status of this now? What have been your efforts to bring about its implementation?

Answer:

Section 217 of the Immigration Reform and Control Act of 1986, signed by the President on November 6, 1986, contains a "Visa Waiver Pilot Program for Certain Visitors." Under this section of the Act, the Attorney General and the Secretary of the State are authorized to establish a pilot program to waive the visa requirements for up to eight countries which qualify under the law.

On February 4, 1987, the Under Secretary, who represents the Secretary of Commerce as an ex officio member of the board, brought this issue to the attention of the Travel and Tourism Advisory Board (a fifteen member Board established under the National Tourism Policy Act of 1981). The Board drafted and signed letters to the Secretary of State and the Attorney General strongly encouraging them to select countries which generate considerable tourism to the United States. To support the letter the Board identified and compiled a list of the 20 major tourism generating countries for consideration. In subsequent action the TTAB established a task force to review this issue. The Under Secretary readdressed the issue as the first item on the agenda of the National Tourism Policy Council's (inter-agency council established by the National Tourism Policy Act of 1981) meeting on March 3, 1987, as "Plans for Implementing Section 217 of the Immigration Reform and Control Act of 1986..." The Under Secretary again brought up the issue at the National Tourism Policy Council meeting on May 21, 1987.

The Immigration and Naturalization Service and the Department of State are studying implementation and the countries to participate have not been chosen yet. As a result of the Tourism Policy Council meeting, the two implementing agencies, Department of State and Department of Justice (Immigration and Naturalization Service), have indicated that it is necessary to first have operational "...an automatic arrival and departure monitoring system." Both Departments have indicated that no discussions have yet been made on selection criteria and the procedures for handling violations under the formula. In brief, no specific date for implementation has yet been set by both Departments.

An ad hoc committee was formed from the TTAB to meet with several agencies. The Under Secretary of Commerce for Travel and Tourism chairs the Council meetings and has invited the ad hoc committees of the Travel and Tourism Advisory Board to participate in the next National Tourism Policy Council meeting on July 13, 1987, and the issue of implementing Section 217 of the Act will be on the agenda.

Question:

I am particularly impressed with USTTA's cooperative advertising efforts as a means of creating the greatest promotional impact in the foreign markets with the most modest government funds. How do you select the programs to which you will devote your resources? Do the areas of our country which are perhaps not as well known internationally receive proper attention from USTTA?

Answer:

USTTA carries out cooperative marketing programs ranging from relatively introductory projects, such as journalist familiarization tours, to more sophisticated programs such as cooperative T.V. ad campaigns which reach mass markets. The agency selects co-op programs which are taliored to the different needs of resources of industry, state, and cities.

USTTA is particularly concerned with helping smaller states and destinations penetrate foreign markets because it is more difficult for them to enter foreign markets. To assist these groups, the agency holds International Marketing Conferences in different regions throughout the U.S. where small businesses and government agencies can obtain information about foreign markets.

During 1986-1987 USTTA carried out co-op programs with tourism organizations representing 47 of the 50 states. The remaining three states --- Delaware, Idaho and West Virginia --- will undertake cooperative programs with the agency before the end of 1987.

Question:

Which countries are the biggest competitors to the United States in the quest for the international tourist dollar? When the Western European or the Asian or the South American is considering a trip to the U.S., what are the alternative destinations? What factors do they consider before making their decision on where to go? In what ways does USTTA try to influence this decision?

Answer:

Our prime competitors vary from market to market. Among the European, for example, the USA must compete with very strong appeals from Asian destinations, Canada, and the countries in North Africa. In Asia (Japan), the USA faces significant competition from Europe, Oceania, Canada, and Asia itself. In Canada and Mexico, Europe and Asia represent our stiffest international competition. Fortunately for this nation, America is a highly desirable destination in all markets.

Generally, the potential international travelers place priority on the following factors when choosing a foreign destination: cost, value of dollar, facilitation, lack of restrictions, and safety.

USTTA attempts to influence their decision in a number of ways. Specifically, USTTA acquaints foreign tour operators and travel agents with how to market USA products. The agency also introduces them to new products. We also initiate and coordinate cooperative advertising and promotion in the overseas markets.

Question:

I would imagine the falling dollar makes it easier to attract foreign tourists to the United States. However, I am concerned that it also increases the cost of our overseas promotional efforts. Exactly how is the drop in the dollar affecting your agency's activities?

Answer:

USTTA operations abroad are conducted in foreign currency and thus all categories but the salaries of US Citizens are affected by the falling dollar. Overall this amounts to about 90% of the USTTA overseas promotional effort. Since 1985, the actual devaluation of the dollar has exceeded projections and has cut into the funds available for overseas promotion. It is estimated that the drop in the dollar will result in an average of about 5% decrease per year in operational funds for the period FY 1985-1989 for a total of about 25% decrease in effective buying power overseas.

Questions from Senator Tribble

Question:

The user fee proposal would raise at least $18 million by conservative estimations. Because we believe it would be money wisely invested, this committee has been trying to increase funding for the USTTA for years. Why aren't you asking to use more of the money the fee would collect at no cost to the taxpayer?

Answer:

The administration did not propose the fee as a revenue generator. The airline industry indicated that it would be less of an administrative burden if the fee were a full dollar rather than an incriment. The USTTA only requires $12 million of the receipts. The fee was never intended to expand USTTA.

Question:

We haven't heard much comment in favor of the user fee concept, aside from the rumor of support from the cruise line industry. What is your reading from the travel and tourism industry overall? If we proceed with the fee concept do you think they'll withdraw their support for the USTTA?

Answer:

The travel and tourism industry is a multifaceted group and it would be difficult to provide a single statement that would express all the industry's views. Generally, however, the industry supports providing USTTA with a stable source of funding, as long as it is fairly assessed and not burdensome to administer.

Questions from Senator Pressler

Question:

The proposed user fees would raise funds in excess of the amount necessary for USTTA. The Administration estimates that $18 million would be collected annually-$12 million would be available for USTTA and the remainder deposited in the General Fund. My question is, Can this be called a true user fee or is it a tax in disguise?

Answer:

The fee we are proposing is not a user fee in the usual sense. We have termed it a facilitation fee since it is used in the same manner in which many "facilitation" fees charged by other countries are used--that is to support the travel and/or tourism efforts of the countries involved.

Question:

USTTA was created as an agency to support tourism in a generic sense. Is it fair to put the burden of funding USTTA on just inbound air and cruise ship passengers?

Answer:

The decision to assess the air and cruise carriers to support USTTA was based on the fact that the travel and tourism industry is a widely diversified and complex industry. As such, it is not practical to impose a fee in other areas, for instance on states, restaurants, hotel/motels or auto rental firms. In many cases, these groups are already paying a form of "tourism" fee as in the case of hotels. In almost all cases, except for airlines and cruise ships, there would be major insurmountable recordkeeping and collection problems that would prohibit the assessment of the fee. The airlines and cruise ships, however, have the recordkeeping capability and the infrastructure that permits a fee to be easily assessed and collected. In addition, airlines are the first to directly benefit from increased tourism.

Question:

Perhaps more important, could there be a tendency to favor industries from which the funds are coming? I am greatly concerned about the possible inequities that could result--after all, there have been no international flights into South Dakota or cruises on the Missouri River for some time!

Answer:

It should be noted that considerable travel to the United States is on a regional basis--that is travellers usually arrive in one state and then travel to one or more other states on their visit. For that reason, those states without international airports still benefit from increased travel to the United States. USTTA has recognized this "regional" travel and is currently emphasizing marketing on a regional basis.

Question:

As a result of visiting the Worlds Fair in Vancouver, I requested that the USTTA be a key player in planning future World Fairs. Please tell me about any progress you have made to encourage tourism promotion at World Fairs.

Answer:

As a follow-up to your recommendation, the Under Secretary met with USIA Director Charles Wick to discuss the USTTA role in World Fairs. Since that time, the USIA has established an interagency task force to study the future of U.S. participation in international expositions. USTTA has designated Karen Cardran, Travel and Tourism Program Specialist, to serve on that task force. USTTA has discussed the role of the task force and the importance of a viable tourism presence in World Fairs with our Travel and Tourism Advisory Board, and they will be lending their support and advice to USTTA as the task force proceeds to develop recommendations.

Senator ROCKEFELLER. We are very pleased now to have. Ms. Jean Maguire, Director, User Fee Task Force, United States Customs Service; and Randy Worls, who I will give another introduction to here in a moment, General Manager of Oglebay Park; and Mr. Bill Miller, President, Long Beach Area Convention and Visitors Council.

And is Mr. Craig Badami here? I had understood that he had missed his plane, but I am not sure.

[No response.]

Senator ROCKEFELLER. I guess he has. He is from Utah. I guess he will have testimony that he will submit.

I want to welcome all of you and say a special word about Randy, and I am sure that the other two of you will forgive me for that. I have known Randy a long time. He has been General Manager of Oglebay Park since 1972.

You are known in the state and, frankly, in tourism around the country as something of a miracle worker. When there is a problem, you call on Randy Worls. I have done that, both as a governor and as a Senator.

When we were having problems at Mount Wood Park with funding, I called the Secretary of the Interior and I called Randy Worls, and there will be a solution to that, I am sure.

Randy simply loves what he does and is a superb promoter. He does it quietly, he does it effectively. And the story that he has to tell about Wheeling Park, a municipal park, is an extraordinary one.

Randy, I am not going to start with you. I am going to start with Jean Maguire and ask if you would care to start out.

STATEMENTS OF JEAN MAGUIRE, DIRECTOR, USER FEE TASK FORCE, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY; RANDY WORLS, GENERAL MANAGER, OGLEBAY PARK, WHEELING, WV; AND BILL F. MILLER, PRESIDENT, LONG BEACH AREA CONVENTION AND VISITORS COUNCIL, INC., LONG BEACH, CA

Ms. MAGUIRE. Thank you, Mr. Chairman. I am Jean Maguire, Director of the Customs User Fee Task Force.

On behalf of the Commissioner of Customs, I thank you for the opportunity to come before this committee to discuss Customs' experiences in collecting user fees on airline and vessel passengers.

In 1985, as part of the Consolidated Omnibus Budget Reconciliation Act, which I will refer to as COBRA, Congress imposed fees on arriving air and sea passengers, commercial vessels, trucks, and rail cars, and private aircraft and vessels. The collections of these fees began in July 1986.

The fee paid for passengers arriving on commercial aircraft and vessels was set at $5 per arrival. It is not assessed for travelers entering the U.S. from Canada or Mexico or from territories or possessions of the U.S. or from certain adjacent islands.

Crew members and diplomats are exempted by the statute, and regulatory exemptions have been added for those who are traveling on pre-cleared military charter flights and on U.S. and foreign government aircraft.

Carriers issuing tickets or travel documents are responsible for the collection of the fee from all passengers transported into the U.S. for whom the fee applies. The ticket or travel document is marked to indicate that the required fee has been collected from the passenger. If the ticket is not so marked and was issued in a foreign country, the fee is collected and remitted by the departing carrier when the passenger departs from the United States.

U.S.-based tour wholesalers who contract for passenger space collect the processing fee in the same manner as the carriers. Carriers and U.S.-based tour wholesalers remit the fees collected to Customs no later than 31 days after the close of the calendar quarter in which the fee was collected, payment is remitted to a drop box.

Current estimates are that Customs will collect approximately $53 million from the air and sea passenger fee in fiscal 1987. Total fiscal 1987 COBRA collections, which is for all of the fees we charge under that legislation, will be in the $100 million range this fiscal year.

We have received payment for the quarter ending March 31st. Since those payments were not due until May 1st, the receipts are still being processed into our financial system.

Implementation of the COBRA fee mandate is running smoothly and the collection mechanism seems to be working well. However, we are developing an audit strategy to verify full compliance with the quarterly fee payment requirements. Preliminary analysis shows that verification of compliance must be predicated in part on information held outside the United States.

This presents a problem for the Customs Service, in that foreign-held accounts are not available for verification by our personnel unless those records are voluntarily provided. It is premature to reach any conclusions at this time on whether this will be a significant obstacle to enforcement of these fees.

Customs will be pleased to share the results of its study when it is completed in several months. We will need to have a full year's experience with the fee to validate our projections.

It is difficult to be more definitive at this time, since the fee is assessed on issuing carriers—just as an added explanation—and people do not necessarily enter the U.S. on the airline that issued the ticket. We need a continuum of time in order to be able to cross-check our records systems.

This completes my statement. I would be pleased to answer any questions.

[The following information was subsequently received for the record:]

FOREIGN COMMERCE AND TOURISM SUBCOMMITTEE
HEARINGS ON
USTTA REAUTHORIZATION

Questions from Senator Trible
For Jean Maguire, U.S. Customs Service

QUESTION: We have heard that, contrary to your remarks, there have been major difficulties encountered in collecting the fees for the Customs Services. In fact, we heard there was a sizeable shortfall in the funds collected, resulting in more funds needing to be appropriated for your operations. Is this true?

RESPONSE: Collection systems are running smoothly. There were some apparent, initial collection shortfalls because of start-up processes in educating fee payers of the new requirements. In addition, since the airline and vessel passenger fees in particular are collected at time of ticket sale, and international travellers often purchase tickets well in advance, we expected the first two quarters to reflect fewer fee payments than actual passenger counts entering the United States would imply. The most recent quarter's collections show payments in line with expectations.

Collections of the COBRA Fees have been adequate to cover the stated purpose, which was to offset the cost of Customs inspectional overtime. Lacking experience with user fees, we were concerned that collections might not be adequate when we saw the first quarters receipts. During a brief period, we were somewhat cautious in expanding overtime services. Those concerns are now allayed, but we will continue to manage our overtime services in a judicious manner.

Customs has not requested, or proposed, an additional appropriation for FY 87.

QUESTION: Does the collection of a users fee necessarily guarantee adequate funding for the services that were supposed to be provided as a result? I understand the airlines don't believe their passengers are getting their money's worth from the Customs fee? What has your experience been in this area?

RESPONSE: The air passenger fees only offset the cost of Customs overtime services. They do accomplish that objective. They are not intended to pay for routine Customs services at airports, or our enforcement efforts. These operations are all funded through the appropriateion process.

Comparison of FY 87 appropriations for passenger processing and user fee collections from passengers, shows them to be roughly comparable. Consequently, were the user fees, rather than appropriated funds, used to pay for passenger clearance, current service levels would not be changed.

QUESTION: Please elaborate on your comments concerning verification of compliance. I heard that foreign carriers don't necessarily understand that they are supposed to be collecting fees. What is the situation?

RESPONSE: The airline passenger fee is collected at the time the ticket is sold, so the issuing carrier pays it. It is not unusual for the issuing carrier to be a different airline than the one actually bringing a traveller to the United States. In fact, some foreign airlines that have remitted fees to us do not even land in the United States. The Customs Service, Immigration and Naturalization Service, ATA and IATA have worked together to educate carriers and travel agents on user fee requirements. Customs has developed an enforcement strategy that includes direct correspondence with carriers, audits, expanded educational efforts, and establishment of penalties for non-compliance.

QUESTION: Do you have any knowledge regarding the experience of Immigration and Naturalization Service with fees that they collect? Are they having more or less success than the Customs Service?

RESPONSE: The Customs fee and Immigration and Naturalization (INS) fee are collected in the same manner, and at the same time. The provisions of the two user fee statutes vary in some minor aspects, but generally speaking, compliance with the INS fee is comparable to that for the Customs fee. The Customs Service and INS both benefit from each other's educational campaigns.

Senator ROCKEFELLER. I will have some for you. But I want to call on each of the witnesses.

Randy Worls, would you go next. And I understand you do not have a prepared text, but I sure as heck want you to say something. So go at it.

Mr. WORLS. Thank you, Mr. Chairman. I first of all thank you for the kind introductory remarks. I want to talk just a moment about our patient Mount Wood Park that you referred to.

I can tell you right now that the patient is doing very well. The cash flow has totally turned around, and by 1988 it is going to be a going enterprise. The master plan on Mount Wood Park will be presented next Wednesday to the board, to the Wood County Board of Parks and Recreation. And it is interesting to note that we are talking about tourism and tourism is going to be one of the prime factors to bring Mount Wood Park back into a positive circumstance.

My situation is somewhat unique. I am the general manager of the Wheeling Parks System. Oglebay Park, which is the best known of our operations, is a regional type facility. But the Wheeling Parks System is the only totally self-sustaining public park system in the United States, and it is made possible through the aspect of tourism, both domestic and foreign.

We have a $12 million budget. We employ about 950 people. We attract three million visitors a year. It is the largest tourist attraction in the state of West Virginia. About 30,000 of these come in from foreign countries, primarily Canada and to a lesser extent Japan.

We generate within the community, as a result of this tourism, about $30 million in retail sales. So that the aspect of tourism is not only important to the Wheeling Parks System, but it is important to the economy of Wheeling in general.

Wheeling is exemplary of the smokestack industry type town that has lost about 5,000 primary jobs over the past ten years in steel, coal, and in glass. And in fact, we are hoping that part of the future of Wheeling will be the aspect of tourism.

There has just been a plan developed, Mr. Chairman, and a copy of it has been given to your staff, as prepared by Harry Ham, who is the editor in chief of the Ogden newspaper, that I think is going to be a forerunner of an innovative plan to put a community like Wheeling and many other communities like it throughout the United States back into business again.

And the basis of his plan, which is called Wheeling 2000, is the aspect of tourism, taking advantage of the historic areas of Wheeling, the Victorian period where 60 percent of our buildings were built, trying to posture ourselves as Victorian Wheeling, much as Colonial Williamsburg, taking advantage of the river, taking advantage of the transportation systems in and out of Wheeling, and setting up industries based on tourism.

These industries can be the manufacturing of new products. I testified before the President's Commission on America Outdoors, and in that, while we have a $270 billion tourist industry, $335 billion we have spent in the pursuit of leisure. That is one out of every eight dollars.

And so that the aspect of tourism is big business. One of the unique things that has happened, and again the aspect of tourism is helping this work, is that we have created in Wheeling a festival of lights. We are going into our third year, and the festival of lights will run from November 16th to January 31st.

At Oglebay, we have lighted up 300 acres with 300,000 lights, 1,400,000 watts of lights. The downtown section of Wheeling has joined into this with a major display, and we are going to attract 800,000 people in two and a half months.

We are going to have over 1,000 tour buses and we are going to generate over $5 million in retail sales. Many of these tourists will be coming in from Canada.

Senator ROCKEFELLER. Could I interrupt you for a moment? There is a vote bell that has gone off and I am going to have to go over. And there is nobody else here, so I am going to have to recess this for about ten minutes.

But before I do, I just wanted to ask you one particular question. You raised the point, I thought the interesting one, that Wheeling over the years has had difficulties in terms of its industrial base, and that it has a long and rich history, but it has been through some tough times.

It was very interesting to me to watch over a period of years when there were different problems in the downtown merchants, the chamber of commerce, and all kinds of decisions about what was going to go on in steel and manufacturing and retailing and all other kinds of things, that the park—a municipal park, not a state park, not a national park, but a municipal park—kind of held the whole thing together, and in fact that a community under substantial economic duress came to understand that something called a city park was in fact an economic powerhouse.

Now, that was understood within the state. That was understood by folks who were coming from many states around. And now you are indicating it is understood by people from Canada, which is about a seven hour drive, increasingly by people from Japan, who I understand are doing very substantial booking at Oglebay for upcoming events.

How are you exploiting not just what we know regionally, but what is increasingly an international opportunity for a city park called Oglebay?

Mr. WORLS. Well, of course we are using the assets that we have. WWVA, which is a 50,000 watt station, beams into Canada. And of course, we just finished booking 4,000 room dates of Japanese visitors coming in for Wheeling Nissein Steel.

But they are also seeking leisure. They are great golfers and they love the outdoors and activities of that sort. And so we are trying to parley the advertising and marketing resources we have to do this.

And of course, this was why I was interested in coming over, because I think this is where the USTTA could really be of assistance. Secretary Tuttle talked about joint marketing, and Senator Wilson said the potential of travel and the aspect—and you talk about marketing.

This is what it is all about. If we could joint venture and get additional assistance, the potential is unlimited. We have only

scratched the surface. We have not even begun to bring in the foreign visitors that we could bring in, and I am talking about Canada and Japan, the continent of Europe and so forth.

The potential is just beyond belief. And that is why I do not think we can spend too much money. That advertising money and the promotional money that is made available through USTTA can be leveraged to the point where it is going to be probably one of the best returns of any business investment I have ever seen.

Senator ROCKEFELLER. Randy, there is no way that Wheeling Nissein Steel has 4,000 people associated with it, but you are telling me that there are 4,000 people——

Mr. WORLS. 4,000 room nights. It is not 4,000 people, it is 4,000 room nights.

Senator ROCKEFELLER. Will you trace that through for me, how a joint venture between a Japanese and an American steel company turns into 4,000 room nights at a city park?

Mr. WORLS. Well, the aspect is that they are building a steel plant at Fallsbury, WV, Nissein Steel in conjunction with Wheeling-Pittsburg Steel. And as they bring in, they have a program where they are sending our U.S.—I mean, the United States employees of the company to Japan for training, and they are also bringing in the Japanese to our area for training and finding out what the United States is all about.

And as a result of that, they just placed an order for 4,000 room nights this next year. They will be keeping them there. They will be in meeting, they will be, of course, learning more about the steel industry in this country.

And we were in a position that they liked the aspect of our golf courses and the various things that we have, and of course they came to us for that service.

Senator ROCKEFELLER. What percentage of the Wheeling area economy is represented by Oglebay Park?

Mr. WORLS. We are about the fourth largest employer. It would be very difficult for me to put a percentage on that. But again, we are directly responsible for generating $30 million in retail sales, which is significant. And that is going to increase substantially.

And when Mr. Ham's Wheeling 2000 plan goes into effect, I think in a very few years you are going to see tens and tens and tens of millions of dollars pumped back into that economy through Wheeling 2000.

Senator ROCKEFELLER. Randy and Jean, you have got to forgive me. I have to go vote. The only thing I can do is recess this for a moment and I will be right back. Please forgive me.

[Recess.]

Senator ROCKEFELLER. I interrupted you. On the other hand, I interrupted you with questions. And to be fair to my purposes, I need to call on Mr. Miller to give his testimony so that we can then proceed with further questions.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Chairman, I'm Bill Miller. I'm President and Chief Executive Officer of the Long Beach Area Convention and Visitors Council, Inc.

The reason why I say "Inc." I think it's important to realize that I represent private enterprise as a private association.

Where is Long Beach? Long Beach is part of the Greater Los Angeles area. It is a city that is undergoing dramatic redevelopment, and soon will become a major business and convention destination, with new office buildings, and hotels, being developed in our particular community.

The budget of my Convention and Visitors Council is $2 million. And I'd like to point that out, because that's about 20 percent of what USTTA is budgeted to have.

In other words, with a staff of 21 with a local association, I have 20 percent of the budget of USTTA, which is expected to operate worldwide.

Long Beach now is not getting a great percentage of international visitors. However, Los Angeles and San Diego and Anaheim now are. But that's not to say that we're not interested in Long Beach.

As a matter of fact, we started working on the market about four years ago. We've managed to start chipping away at those markets to develop even more tourism to Southern California and Long Beach with the Queen Mary.

I also happen to be chairman of the Tourism Association of Southern California. The association is comprised of convention bureaus and attractions in the Southern California area. And our purpose is to act as a cooperative marketing vehicle for the convention bureaus in order to promote Southern California as a region.

Prior to that, I was the vice president of marketing for the Phoenix Convention Bureau, and prior to that, the Denver and Houston bureaus.

I have worked my way up through the marketing ranks of convention bureau work, and believe in the work of convention bureaus very heartily.

In the travel industry, the majority of the marketing is done through the travel industry. It takes a lot of hard work, and it takes a lot of personal rapport. And the USTTA staff out in the field has developed that kind of rapport, and has that kind of respect.

International tourism in 1985 was an $11.7 billion industry, employing approximately 250,000 additional people over the number of people employed in tourism, as you pointed out earlier.

There are several reasons why we should market the USA, when ultimately, from the USA, would boil down to the region, the state, and ultimately a city or a primary destination.

Number one, there's a lot of interest in USA as a scenic and beautiful place. We have a wonderful lifestyle, which brings up ideals, and the copying if you will of our lifestyle seems to be of great interest to people overseas.

It also enables us to perpetuate a much better mutual understanding of each other's cultures.

Secondly, international tourism benefits the economy by our bringing in fresh new dollars. It employes a great number of people as I pointed out. And it generates a lot of new taxes.

Thirdly, we now have quite a trade deficit, as you know. My personal opinion, having travelled several times to Japan on business, to develop international tour operator business, is that right now from what I can see visiting the U.S.A. is the only interest the Jap-

anese have in buying something from us in other words, to see the United States.

Fourthly, tourism creates a great deal of good will and understanding.

And fifthly, now is the time to market for international tourism because of the devaluation of the dollar, and the fact that the United States, and ultimately my city and other cities, are great bargains for the international visitor.

The role of the USTTA is to serve as a catalyst, to serve as an orchestration arm, if you will, representing not only the government in general, but also, the travel industry of America.

It does it through several methods. Number one, by working with the travel industry of that given international market in developing both tourism and the international congress business to America.

Secondly, it coordinates a lot of marketing promotions by the various regions, such as sales trips that are conducted to that individual market to develop business, and to create cooperative programs, as Ms. Tuttle pointed out a few moments ago with the television ad.

Thirdly, the USTTA is very involved in developing consumer markets. But as you know, it's very difficult to reach the consumers directly unless you have an effective media campaign.

The proper funding levels have not been present in the past, so therefore, a great deal of work by USTTA, as with convention bureaus, is done directed at the travel industry, because then we can be more effective, and we can measure our return.

The USTTA supports the United States travel industry. Without it, the travel industry would be at a great loss. They provide us with a lot of insights and understanding as to that market, and how to work it, before we go over there.

And lastly, the USTTA is promoting the United States now by regions, which I heartily applaud. As I mentioned a moment ago, I'm chairman of the Tourism Association of Southern California, and I believe the way to sell Long Beach is to sell Southern California, California, and ultimately, the United States.

Our personal experiences with the USTTA have been fantastic. I have travelled to many of their offices overseas. I have worked with many of those people in those offices.

They work with very little, and the competition by other government offices of tourism are far outstripping their capabilities. But these people make up for what they don't have in dollars with sincerity and an awful lot of blood, sweat and tears.

I've been to most of their locations; I've seen what they do. They provide a lot of advisements. They help control the marketing. They set up appointments for us to call on the trade before we arrive. And of course they take care of a lot of protocol including perhaps setting up of luncheons and other types of functions.

I would like to point out that it is important for you to remember that the majority of the marketing of these promotions is paid for by the travel industry of America itself. When it travels to these countries, it's paying for those cocktail parties, those luncheons, those invitations, those press releases, in order to get the word out about our particular region.

However, on the other side of the coin, of course, USTTA, as Donna pointed out a few moments ago, is beginning to get into coop advertising, and that alone is still paid for 80 percent by the private industry.

So we feel we are doing our part. There have been several success stories including Texas, New York, my former State of Arizona, where I was, and of course, California, in succeeding with coop promotion and working with the USTTA.

The USTTA budget is wholly too small. The international public perceptions are that we need a government office to represent an industry. Without it, it will not be seriously taken.

The international industry, as I've talked with them over there, is quite frankly puzzled as to why the U.S. travel industry is so strong, and yet our USTTA offices are so obviously underfunded.

They consider that a paradox. They can't understand why the United States Government would allow that to happen.

We have a $12 million budget. It's decreasing though because of the devaluation of the dollar, and it's becoming more and more difficult for these offices to operate overseas.

I'd like to ask you to perhaps increase if you will the amount of funding to USTTA, even a small amount, 25 or 50 percent; the majority of that money would go directly into marketing, which would have an ever greater return at a time when it's time to market.

The USTTA is effective, and I would like to encourage you to consider the dollar return by these dollars that you will invest. I think we've already exemplified that.

Secondly, I'd like for you to consider the quarter million jobs that are now benefitting from the international tourism.

And I'd like also to have you consider the trade balance. I can't think of a better way that we can help the trade balance.

Thank you.

[The statement follows:]

STATEMENT OF BILL F. MILLER, PRESIDENT AND CEO, LONG BEACH AREA CONVENTION AND VISITORS COUNCIL, INC.

Thank you Mr. Chairman and members of the subcommittee for the opportunity to testify in support of the United States Travel and Tourism Administration (USTTA) funding. My name is Bill F. Miller, President and CEO of the Long Beach Area Convention and Visitors Council. I have been in this position for five years. My organization has a two million dollar budget with 21 employees developing both tourism and convention programs for a redeveloping Long Beach. Long Beach is located within the greater Los Angeles area and is becoming a major tourism and business destination. I am also Chairman of the Tourism Association of Southern California, an association of interested California travel businesses who have combined together for the purpose of promoting international and domestic travel to Southern California. I have also served on the Board of Directors of the National Tour Association and various other travel industry organizations. I held similar staff positions in marketing for the Phoenix, Denver and Houston Convention and Visitors Bureaus before coming to Long Beach.

I have been asked to testify before you regarding the importance of international tourism to Long Beach and to Southern California. In 1985, tourism to America represented six million jobs with expenditures and receipts at $259 billion dollars. International tourism represented $11.7 billion dollars with 21 million arrivals. $812 million dollars in federal taxes alone were collected from these international visitors. Therefore, the impact by international tourism to the United States economy is extremely great.

There are several reasons to market the United States to international tourism. In most countries with high discretionary income, international visitors are ex-

tremely interested in traveling to America. Their various reasons include our scenic beauty, our lifestyle which is a trend setter for the world and the complete vastness of our beautiful country. The potential benefits to the United States economy in employment and receipts from local, state and federal taxes alone justify the effort. Most of all, these international currencies represent fresh new green dollars to America which helps to reduce our foreign trade deficit. As a matter of fact, it is my impression that our only export of interest at this time to the Japanese is to visit beautiful America. Obviously, international tourism helps to create a great deal of goodwill and to reduce tensions throughout the world.

The United States Travel and Tourism Administration plays a key and crucial role in this overall endeavor. The travel industry of America would be lost without its assistance. The USTTA activities could be broken down to several activities:

The USTTA offices in many countries concentrate on the travel industry of that market including the retail travel agents, tour operators and press.

The USTTA offices coordinate many sales trips and sales missions conducted by regions and states to develop tourism to America.

USTTA does a tremendous amount of work with the consumer markets of that particular region of the world through distribution of literature, phone inquiries and other means.

The USTTA offices constantly update the American travel industry regarding the particular market in which the office exists and its trends. Each office in every country serves as a field office for the United States travel industry and deals with a great many different protocols and customs of the country. Without these offices, the U.S. travel industry could not be effective.

I have been asked to relay some of my personal experiences with the United States Travel and Tourism Offices. In my last two positions in representing both the Phoenix-Scottsdale area and Long Beach, I have been dealing with the USTTA offices since 1976. I have found each of these offices to be very dedicated to the market they develop. These offices work with very little. Their staff is generally comprised of both Americans and national people who are natives of the regions that are being developed. I have found the USTTA staff to be the most dedicated and sincere professionals possible. They work with very little and against great odds based on the competition from other foreign tourist offices which exist in these markets with greater budgets.

I have personally visited the offices in Japan, West Germany, United Kingdom, Mexico, Paris and Australia. The purpose of my staff and my visitation to these offices was to conduct business by calling on the travel industry trade and press of that given market. Each of these offices were of invaluable help in coordinating the sales mission that we were participating in. Much ground work has to be laid many months in advance when a region of the United States wishes to develop very international tourism. Very through assistance is always provided by the USTTA offices with preliminary advisements, the control of the mechanics of the mission to be conducted, the securing of appointments with key travel industry professionals in that country and the distribution of brochures and information regarding the region that is being promoted. Throughout my career I have experienced nothing but positive remarks from my colleagues and peers representing with other Convention and Visitor Bureaus who have similar experiences with USTTA.

The United States Tourism and Travel Administration benefits the United States Travel Industry and ultimately the United States public who are employed in tourism. It is true that state and city promotional offices as well as the private industry representing airlines, hotels and other business have substantial budgets. However, without the coordination of the USTTA staff who is there in the field it would be impossible for our dollars and marketing efforts to be effective. The figure regarding the amount of financial commitment by the United States travel industry for international development far surpasses what the USTTA's proposed budget will be.

The benefit the USTTA serves the United States travel industry serves is for small business development. The U.S. travel industry, is comprised of a great many small companies representing tour operators, transportation companies (such as motorcoach companies), restaurants, gift shops, franchise hotels and motels. All of these benefit from the promotional efforts of larger tourism companies, Convention and Visitors Bureaus and State Offices of Tourism.

The USTTA budget is extremely low. I have been told that we rand 45th in per capita spending based on the funding level of our USTTA offices oversas. The international public views the magnitude of government offices of tourism as an expression of the level of interest by that country and government in having international visitors visit that country. Unfortunately, the United States travel offices are under funded. As I have talked with the international travel trade in their own country

during my visits, I have found them to be very appreciative of the USTTA offices by puzzled as a why there isn't more done by these offices because of limited funds. While they appreciated the private travel industry traveling to their country to ask for their business, they are also surprised at the paradox the USTTA offices seem to work with so little.

The USTTA offices are extremely effective and work with very little. I know I speak on behalf of many of my colleagues who wish that the funding level of USTTA could be raised to make America more effective in the international market place and thus help reduce the $150 billion international trade balance. We need to increase the USTTA's $12 million budget just to maintain the same level of past years due to the devaluation of the dollar and what it will bring in each target market. The return on investment in USTTA is very great as exemplified by the $812 million in federal taxes alone collected from international visitors. Let's increase the USTTA budget and the dollar return.

I understand you are considering funding the USTTA out of a special one dollar user fee that would be imposed on international visitors. The feeling of my staff and myself is that the international visitor already has many barriers causing him to feel frustrated in planning his visit to the USA. To impose another barrier only helps to continue to the overall feeling by many international visitors that perhaps we don't want them as badly as other international destinations do.

However, if the user fee or a similar concept is inevitable, the only way the travel industry could find it acceptable would be if the total amount of the user fees that were collected went to support USTTA. This could be a reasonable gauge of the degree of success of the USTTA in developing international tourism.

Thank you for listening to my views today. The USTTA is extermely vital to Convention and Visitors Bureau throughout the United States in developing international tourism to our destinations. Without it, it would be impossible for us to market to the international visitor. I appreciate your time in allowing me to come before this subcommittee.

LONG BEACH, CA, *June 19, 1987.*

Hon. ERNEST T. HOLLINGS,
Chairman, Subcommittee on Foreign Commerce and Tourism, U.S. Senate, Committee on Commerce, Science, and Transportation, Washington, DC.

DEAR SENATOR HOLLINGS: In response to your letter of June 5 on the May 6 hearing of the Subcommittee on Foreign Commerce and Tourism regarding authorization of the United States Travel and Tourism Administration, I submit the following answers from questions by Senator Trible.

Question 1. Walk us through your experience with the USTTA: How did you find out about their services? How did you go about setting up a marketing plan? What results did you see?

1. About my experience with USTTA and how I found out about their services, my experience with USTTA spans seven years as vice president of marketing for the Phoenix Convention and Visitors Bureau and four years as the President of the Long Beach bureau. Approximately two to four times a year we would travel to the key international markets such as Japan and Germany in the U.K. to develop business. We found out about USTTA services because of their obvious presence at the International Pow-Wow convention annually and through airlines and various tour operators. Our marketing plan was based on information from USTTA, tour operators from international companies based in Los Angeles and through the airline sales personnel. USTTA played a crucial role in providing the basis for our marketing plan in data, strategy and how to measure the results. The results were measured quantitative through number of hotel room nights booked through the number of international tours from each tour operator. This equated to a dollar value as it pertains to expenditures for other things in addition to hotel rooms.

Question 2. How would you proceed in approaching foreign markets if the USTTA did not exist? Have you ever ventured into the international market without the help of that agency? Would you?

2. It would be difficult to process in approaching foreign markets if USTTA did not exist. As a matter, of fact, it would be almost impossible. Within each region there is a great resource of information regarding data of which tour operators produced for what region of the United States, what the protocol of the country is, how best to approach the marketing and how best to follow up.

Question 3. Do you believe USTTA's cooperative advertising campaigns are cost-effective? Can you estimate what it would cost if you tried to do the same thing on your own?

3. Regarding USTTA's cooperative advertising campaigns, the Long Beach CVC has not been able to participate in these programs due to limited budget. However, we are aware of their programs and soon plan to a participate. We think the USTTA advertising programs is the best way to go to market the United States in each destination. By promoting the United States we draw attention to the Country in total and are therefore able to focus attention on each area of the United States from that point. This umbrella approach is the only way to do the job. In addition, we estimate that there is at least a ten to one ratio of impact as it pertains to return.

Question 4. What economic spin-offs does the community at large experience because of your international tourism promotion efforts? Can you estimate the overall return on your investment?

4. The quantitative economic spinoff to the community at large I will breakdown based on my Phoenix and Long Beach experience. The return on investment would be as follows:

A. The Phoenix CVB from 1975 through 1982 I estimate we spent approximately $50,000 to $100,000 a year or roughly $500,000. Our return was measured in 1982 at $3 million in international business that had booked Phoenix and Scottsdale hotels.

B. In Long Beach we have spent approximately $25,000 a year for four years including staff time. For this investment of approximately $100,000 we have been able to measure a return of $1.1 million booked in the Long Beach hotels and at the Queen Mary/Spruce Goose attractions.

I hope this answers your questions. Please feel free to contact me should you wish any further information. I would like to again urge the Subcommittee to consider funding USTTA at a higher level than the $12 million designated. They have operated on this budget for many years and with the devaluation of the dollar the strength of their marketing efforts is seriously being eroded.

Sincerely,

BILL F. MILLER,
President.

Senator ROCKEFELLER. Thank you, Mr. Miller, very much.

Is there any way to measure what a typical international convention in your city brings in in the way of money?

Mr. MILLER. We have recently made a national survey through the IACVB, the International Association of Convention Bureaus, and depending on the city and the type of meeting in congress, it appears that the average convention delegates, U.S. delegate, spends anywhere from $500 to $700 per trip, not including air fare, on their convention, for entertaining, hotel, food, exhibit space, things of this nature.

An international congress would obviously be a lot higher, and I do not have those figures with me.

Senator ROCKEFELLER. What is, generally speaking, the largest problem that you have in terms of trying to promote and market tourism in your area?

Mr. MILLER. The most difficult problem we have is the fact that we're lost, lost geographically. Not just Long Beach. This happens with every destination.

If we can combine together, under the cooperative programs, as Donna Tuttle pointed out earlier, we can be heard and be found.

Let me market California and the west, and then I will get my share for Long Beach. And that's the biggest problem that every city has, even if they're a Los Angeles.

Senator ROCKEFELLER. So everybody is after their own little niche in the world, and the world doesn't work like that? In other words, you get people to come to an area, and they will discover each part of it?

Mr. MILLER. Absolutely. Oftentimes, when I give a speech out west to general business people, if you were considering a vacation

to Denver, say, where I used to be, you wouldn't just go to stay within the Denver city limits. You would go throughout the Colorado Rockies. Go to Colorado Springs.

It's the same thing in California or any other region.

Senator ROCKEFELLER. Where is the largest number of people who come from overseas that come to your city?

Mr. MILLER. Mostly the Pacific Rim, which would include Japan and Australia.

Senator ROCKEFELLER. Primarily Japan? Primarily Australia?

Mr. MILLER. Yes, I believe the numbers—I don't have them in front of me—are roughly 700,000 enter through the Los Angeles and San Francisco gateway, if I'm not mistaken, of Japanese.

It's a tremendous number of people. Now, you pointed out something a moment ago. You said that some of these people are coming over on business, that's true.

But we have found that when the dollar is to their advantage, oftentimes they bring their families and they combine vacations.

Senator ROCKEFELLER. Mr. Miller, in its user fee proposal, the Administration says that the user fee should be assessed on airlines and on cruise ships, because they are, quote, the primary beneficiaries of USTTA.

Do you agree with that premise?

Mr. MILLER. No, I do not. I feel that the $1 user fee is just another barrier that will make the international visitor feel that he is not now welcome.

As Ms. Tuttle pointed out a little while ago, we already have strict visa requirements, and other type restrictions, through our Customs and whatnot, that we don't run into when we go to other countries.

What I'm saying is, if you add another dollar user fee, and just keep tacking things on, more and more I'm afraid the international visitor will feel that we take them for granted.

As a matter of fact, let me give you an example. One time I had an international tour operator tell me, "please don't"—what was the term he used?—"please don't call us aliens." We're not from another planet; we're international visitors.

And I never thought of that. And oftentimes I hear that referred to. And I think a dollar user fee would only be one more thing that would make them feel that way.

Senator ROCKEFELLER. Ms. Maguire, may I ask you if you feel that Customs is prepared for the larger numbers of people that are going to be coming in this year?

Ms. MAGUIRE. Mr. Chairman, we feel we are, yes.

Senator ROCKEFELLER. And could you elaborate a little bit why you feel that way?

Ms. MAGUIRE. Well, as Ms. Tuttle mentioned, the Customs Service has been modifying some of its processing systems at the international airports and at the sea borders as well, and attempted to tailor the systems that we use to the facilities, because there are considerable differences between facilities, which affect us in moving traffic through.

We've made some procedural modifications that allow us to clear in-bound passengers very rapidly.

Senator ROCKEFELLER. All right.

There has been some comment that in fact—this is maybe a little bit contrary to what you said earlier—that there have been some major difficulties encountered in collecting the fees for the Customs Service.

In fact, we heard that there was a sizeable shortfall in the funds collected, resulting in more funds needed to be appropriated for your operations.

Could you comment on that?

Ms. MAGUIRE. As I mentioned earlier, we are devising an audit strategy for the air passenger user fee. The collection system that was established is a very efficient system for collecting, because the money is picked up when the ticket is issued, basically, as part of the price of the ticket when they pay for the ticket.

That mechanism requires us to have a fairly long period of data before we can really analyze whether that system is being fully complied with, and that is in part because people buy tickets at widely different timeframes prior to their flight, so that there is not a direct correlation between the time of arrival of a passenger, and the time of issuing tickets.

This is one reason why we feel we need a year of data to be sure. We know that the collection mechanism is working well, and it's producing substantial revenue, and we feel that it certainly is significant revenue. We're predicting over $50 million in collections on the air and vessel passenger fees alone, and close to $100 million for the total COBRA collections.

Those receipts are adequate to cover the costs that they were specified in the legislation to cover.

Senator ROCKEFELLER. All right. Let me ask you, do you anticipate any increase in your $5 fee in the next several years?

Ms. MAGUIRE. No, not at this time.

Senator ROCKEFELLER. It's sufficient?

Ms. MAGUIRE. It is sufficient.

Senator ROCKEFELLER. All right. Randy Worls, do you have any formal contact with USTTA?

Mr. WORLS. Mr. Chairman, at this point, we have not. In fact, I was pleased to be invited over so that we can initiate such contacts.

And up to this point in time, frankly, we have not had any contact. And have been somewhat unaware of what perhaps the potential there could be.

Senator ROCKEFELLER. Have you initiated some contacts?

Mr. WORLS. I have done that today, yes.

Senator ROCKEFELLER. The percentage of those who come from other countries to visit Oglebay Park at this point represents approximately what percentage of your total business?

Mr. WORLS. Just a little less than one percent.

Senator ROCKEFELLER. Do you have a goal?

Mr. WORLS. Obviously, it would be to double it initially and then to keep doubling that doubling; and I think the potential is there, quite frankly, for us. Because again, we're in a very very good marketplace.

I go back to WWVA, our big 50,000 watt station that just beams into eastern Canada covering 80 percent of the population. No matter how far north you go into the fire towers and fish, they have heard of us.

And so we do have potential. And I think with a little bit of help—we're not too aware of how to do that type of marketing. I mean, in our particular case, we've been concentrating more on a 150-mile radius, which is comprised of about 8 million people.

But I mean, the Canadian market is significant, and it can be tapped.

Senator ROCKEFELLER. Do you agree with Donna Tuttle's regional approach, that is, that you market states as a group, as opposed to one state or another?

Mr. WORLS. Yes. I think that obviously the individual states must do their own marketing within that region. But I think the idea of doing it, the USTTA doing a regional plan is an excellent one, and then the individual states will get their cut if they're doing their job.

Senator ROCKEFELLER. What interests me is the concept of getting people from, let's say, the Pacific Rim countries, into the interior parts of this country. In other words, I want them to go to the New Yorks and the Disneylands and Disney Worlds. But I want them to also go to other places.

Your experience is showing that because of an industrial project, then backed up by golf courses and the magic of Oglebay, that it's working, but it's not necessarily systemic.

And I think what we're trying to work on here is, with $12.2 million, how can we get people to get interior to our country, off the coasts? They can go to the coasts, but then to keep going.

And in a sense, what you're talking about is symbolic of that. You've done that.

Mr. WORLS. I might mention, there are 5,500 golf courses in this country, and any place you have a golf course, you have a potential particularly for the Japanese visitor.

Our National Park Service hosted their counterparts, Oglebay being one of the six stops in the country. And to the person, they commented that golf was one of the major attractors.

And so you don't need the Disney and this type of thing. And in fact, we're working now with Japan Airlines to put together tours, entire planeloads of people, coming over for golf outings.

And that, throughout our state of West Virginia, for example, could happen at many of our state parks. Certainly the Greenbrier.

And so I think that there are ways to get into that marketplace without necessarily having a Disneyland or Disney World.

Senator ROCKEFELLER. I want to thank all three of you very much.

We're going to have another series of votes this afternoon, and I need to get to the next panel to discuss in more depth this user fee matter.

You've come from various distances, one from a very long distance, and I appreciate very much your contribution to this hearing, and to the subject of tourism in general.

Thank you very much.

Might I ask now Mr. William Toohey, president of the Travel Industry Association of America, to come forward, together with Mr. William C. Pitt III, President and Managing Director of The Greenbrier, a place that I care about very much; and also Mr. Gabriel

Phillips, who is executive vice president of administration and industry programs, Air Transport Association.

Gentlemen, I welcome all of you, and look forward to what you have to say.

STATEMENTS OF WILLIAM D. TOOHEY, PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA; WILLIAM C. PITT III, PRESIDENT AND MANAGING DIRECTOR, THE GREENBRIER, WHITE SULFUR SPRINGS, WV; AND GABRIEL PHILLIPS, EXECUTIVE VICE PRESIDENT OF ADMINISTRATION AND INDUSTRY PROGRAMS, AIR TRANSPORT ASSOCIATION

Mr. TOOHEY. Thank you, Mr. Chairman, for the opportunity to testify in support of the United States Travel and Tourism Administration funding and in opposition to the Administration's proposed one dollar international ticket-writing charge.

I am William D. Toohey, President of the Travel Industry Association of America, or TIA, and I also serve as Vice Chairman of the Travel and Tourism Government Affairs Council. It is on behalf of the council that I appear before you today.

Appearing with me are Gabriel Phillips, Executive Vice President of the Air Transport Association, who will present the views of the airlines on this issue, which we believe fairly represents the views of the industry generally; and William Pitt, President and Managing Director of the Greenbrier.

The council, which is an affiliate of TIA, consists of 31 major national travel and tourism trade associations and organizations, and officially represents a coalition of the entire industry on government issues of common concern. The council has deliberate this initiative to impose a one dollar user fee on inbound visitors and, for the reasons that Mr. Phillips will discuss specifically, unanimously are in opposition to imposing such fees.

The members of TIA have enthusiastically and wholeheartedly supported USTTA and its programs since the agency was created by the Congress and we continue to do so without reservation, for one reason: USTTA's programs are demonstrably successful.

The success of USTTA's marketing efforts and, more importantly, the need for its programs demonstrates that the travel export product is unique. Every country has the raw materials and the resources to promote tourism trade. Its economic dividends are high.

Quite simply, tourism is the universal industry. It is therefore no wonder that 175 governments, virtually every nation on earth, actively and directly compete for travel export dollars.

The United States currently runs forty-fifth in per capita spending on its own national tourist office, just below Pakistan. The United States offers more diversity in tourism destinations and products and services than any other country in the world.

Yet, our income from international travel exceeds Italy's, for example, by less than six percent. Nevertheless, the Office of Management and Budget continues to resist the concept that international competitiveness relies as much on retaining market shares that we currently have as it does on regaining market shares that we have already lost.

Since the early 1970's, when the Congress warned our industry that we must collectively educate the government on the importance of tourism to the national economy, we have cooperatively worked to heighten awareness of the relatively small, but critical and catalytic role that government must play in the international tourism marketplace.

The industry enthusiastically participated in the five-year national tourism policy study undertaken by this subcommittee and other Senate leaders to pass the National Tourism Policy Act.

Since the passage of this Act, the industry has worked together to educate agencies of the executive branch, including the OMB, on the role of tourism in the national interest. In the past few years, leaders have informally and periodically met with OMB budget technicians, the Deputy Director of OMB, and the White House liaison officers.

Our findings were enlightening, if not heartening. Even though a number of travel industry firms have annually and consistently spent and continue to spend many times the national tourism budget, OMB suggested in 1973 that the industry needed to do more.

It also indicated that a comprehensive marketing plan which would identify appropriate roles for both government and the private sector in this question of inbound tourism marketing would aid significantly in developing USTTA's budget recommendations in the future.

Guided by these discussions with OMB, the Travel Industry Association in 1983 organized an international marketing plan development committee to develop a suggested marketing plan for USTTA, with emphasis on increasing the private sector's commitment to promoting travel to the United States cooperatively with the Federal government.

The committee, made up of top international marketing executives from all segments of the U.S. travel and tourism industry, devoted a full year to examining the international tourism market. The plan was presented to the Secretary of Commerce, to USTTA, and OMB in 1984.

And although USTTA has implemented some of the recommendations, among them the highly successful cooperative advertising campaign and the regional marketing, the OMB in our view has failed to comprehend that a rather modest Federal investment in USTTA has produced an effective and mutually beneficial public-private partnership.

Mr. Chairman, it is interesting to note that during the time required to conduct these hearings this afternoon international visitors to the United States will spend more than $4 million in this country.

We believe that the prudent way to proceed is to continue the minimal funding that has been provided by government to the USTTA, to enable it to continue its effective role as a catalyst to bring increasingly private sector dollars into this question of promoting the U.S. abroad competitively with the efforts of other nations.

Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF WILLIAM D. TOOHEY, PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA, AND VICE CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL; GABRIEL PHILLIPS, EXECUTIVE VICE PRESIDENT, ADMINISTRATION AND INDUSTRY PROGRAMS, AIR TRANSPORT ASSOCIATION; AND WILLIAM PITT, PRESIDENT AND MANAGING DIRECTOR, THE GREENBRIER

Thank you Mr. Chairman and the members of this Subcommittee for the opportunity to testify in support of United States Travel and Tourism Administration (USTTA) funding and in strenuous opposition to the Administration proposed $1 "international ticket writing charge." My name is William D. Toohey, and I am President of the Travel Industry Association of America (TIA). I also serve as Vice Chairman of the Travel and Tourism Government Affairs Council, and it is on behalf of the Council that I appear before you today. Appearing with me are Gabriel Phillips, Executive Vice President of the Air Transport Association (ATA) who will present the views of the airlines and William Pitt, President and Managing Director of The Greenbrier in White Sulphur Springs, West Virginia who is appearing on behalf of accommodations.

The Council, an affiliate of TIA, consists of 31 major national travel and tourism trade organizations and officially represents the entire industry on government issues of common concern (See Appendix 1). As a coalition of the diverse segments that make up the travel and tourism industry, the Council includes representatives from the areas of transportation, accommodations, food service, travel agents, tour sales, recreation and attractions. The vast majority of these companies are small businesses.

We are grateful, Mr. Chairman, that this Subcommittee has traditionally recognized travel and tourism's contribution to the national economy. Our industry plays a critical part in:

(1) Restoring the competitive position of the United States in the international marketplace;

(2) Improving export earnings;

(3) Generating jobs for American workers; and

(4) Reducing the national deficit.

As the third largest retail industry in the United States, behind only automobile dealers and food stores, the travel industry represents an economic resource of enormous proportions. In 1986, for example, federal, state and local governments received over $33 billion in travel-generated tax revenue. Our industry is the first, second, or third largest employer in eighty percent of the states. In 1986, travelers in the U.S. spent over a quarter of a trillion dollars, with travel receipts amounting to over five percent of the G.N.P.

Yet our ability to serve as an economic resource may be even more dramatic on an international level, when considered in the light, or should I say darkness, of the international trade picture. Travel and tourism remains the largest U.S. services export and our second largest export overall. In only the time it takes for you to conduct this morning's hearing, Mr. Chairman, foreign visitors will spend over $4 million in this country. Our 1986 export earnings from tourism were $12.7 billion—$16.3 billion when airline passenger receipts are included and they are expected to increase substantially, more than doubling by the year 2000. Clearly the growth has been impressive. Tourism receipts in 1960, the year the U.S. federal promotional effort began, were just slightly over $1 billion. (Appendix 2) Moreover, and of particular interest to this Subcommittee, international travel generated in 1986 over three-quarters of a billion dollars ($870 million) in federal tax revenue and nearly one-quarter of a million jobs.

In fact, it is our ability to create jobs, that we believe is one of the most compelling arguments for an effective and well-funded national tourism development program. Our industry is currently the second largest employer in the nation, supporting 5.2 million jobs directly and another 2.2 million indirectly. The travel business created 360,000 new jobs in 1986 and over the previous ten years, employment in our industry grew over sixty percent—more than twice the growth rate for all jobs in the economy. Since 1958, payroll jobs in travel-related businesses have increased 26%, according to the U.S. Department of Labor, more than three times as fast as the growth in total U.S. payroll employment over the 1958–1985 period.

In addition, the travel and tourism industry has proven itself to be a dependable source of abundant job opportunities for minority groups that have traditionally found it more difficult than others to find jobs. The industry employs more than 920,000 blacks (10% more than the national average), 686,000 Hispanic-Americans (24% more than the national average), nearly 4.5 million women (21% more than the national average) and about 3.5 million youths, 16 to 24 years of age.

The U.S. Department of Commerce announced in late January that the 1986 trade deficit reached nearly $170 billion ($169.8), up 14 percent over the 1985 deficit of $148.5 billion and nearly two and one half times greater than the 1983 record of $69.4 billion.

By contrast, the services sector of the U.S. economy has become a major source of export receipts in the U.S. balance-of-payments account. Until recent years, healthy services surpluses have provided the United States with overall surpluses on combined goods and services. While services exports remain strong, they now no longer offset increasingly higher merchandise trade deficits.

The Administration and the Congress continue to recognize that the U.S. trade deficit has reached crisis proportions and are now seriously exploring options aimed at restoring our "competitiveness."

We hardly wish to advance any presumptive claim that we have all the answers to an increasingly complex international trade crisis. Nonetheless, pure logic compels us to ask your indulgence in admitting a few pertinent facts. One, trade strategies are not free. Be it import quotas, protective tariffs, trade adjustment assistance or in the case of USTTA, export promotion programs, taxpayer dollars will and must be expended. The International Trade Administration (ITA) for example, is spending over $200 million this fiscal year to promote a variety of, largely manufactured, U.S. products. The Foreign Agricultural Service spend an additional $82.3 million (with $85.6 million proposed for FY 1988), promoting U.S. agricultural exports. Quite simply, the purpose of these programs is to expend federal monies on promoting viable exports in viable markets. There continues to be widespread and vigilant support for these programs, consistent with an increasingly greater federal commitment to a vigorous and pragmatic trade development policy. We ask nothing more for tourism. Travel and tourism represents our largest service export in a global economy dominated by services and remains our second largest export overall. (Appendix 3) The U.S. currently enjoys a $1 billion tourism trade surplus with Japan, a country so frequently viewed as our trade nemesis. We therefore cannot look at federal financial commitments to other export promotion programs and agree that $12 million for tourism is unwarranted, unreasonable or undesirable.

Moreover, USTTA's programs are demonstrably successful. Evaluation of its recent "Catch the Spirit" cooperative advertising campaign revealed that the program yielded a 17 to 1 return on investment, generating 16,000 new foreign visitors and $27 million in additional U.S. traveler earnings. (Appendix 4) This program alone produced more than double the agency's budget.

The success of USTTA's marketing efforts, and more importantly the need for their programs, demonstrates that the travel export product is unique. Every country has the raw materials, the resources to participate in tourism trade. It is the one industry that is not only labor intensive but requires little initial capitalization. Its technology needs are low and its economic dividends are high. Quite simply, tourism is the universal industry. Is it therefore any wonder that 175 governments, virtually every nation on earth, actively and directly compete for travel export dollars? The U.S. currently ranks 45th in per capita spending on its own national tourist office—just below Pakistan. The United States offers more diversity in tourism destinations, products and services than any other country in the world, yet our income from international travel exceeds Italy's, for example, by less than six percent. Nevertheless, the OMB continues to resist the concept that "international competitiveness" relies as much on retaining market shares that we currently have as it does on regaining market shares that we have already lost.

Since the early 1970's, when the Congress warned our industry that we must collectively educate the government on the importance of tourism to the national economy, we have cooperatively worked to heighten awareness of the relatively small, but critical and catalytic role that government must play in the international tourism marketplace. The industry enthusiastically participated in the five-year National Tourism Policy Study undertaken by this Subcommittee and other Senate leaders to pass the National Tourism Policy Act.

Since passage of the National Tourism Policy Act, the industry has worked together to educate agencies of the Exeuctive Branch, including OMB, on the role of tourism in the national interest. Since at least 1982 industry leaders have informally and periodically met with OMB budget technicians, the Deputy Director of OMB and White House liaison officers. Our findings were enlightening if not heartening. Even though a number of travel industry firms have annually and consistently spent, and continue to spend, many times the national tourism budget, OMB suggested in 1983 that the industry needed to do more. OMB also indicated that a comprehensive marketing plan, identifying appropriate roles for both government and

the private sector, would aid significantly in developing USTTA budget recommendations in the future.

Guided by OMB discussions, the Travel Industry Association of America, in 1983, organized an International Marketing Plan Development Committee to develop a suggested marketing plan for USTTA with emphasis on increasing the private sector's commitment to promoting travel to the United States. The Committee, made up of top international marketing executives from all segments of the U.S. travel and tourism industry, devoted a full year to examining the international tourism market. Particular emphasis was place on: the increasing competition between governments for international visitors, the historic and likely future performance of the United States in international tourism trade, and strategies available to begin returning the United States to it previously held competitive position. The direct cost and value of contributed services of this privately financed effort would have cost the government in excess of $500,000.

The Marketing Plan was presented to the Secretary of Commerce, USTTA and OMB on August 14, 1984. Although USTTA has implemented some of the recommendations, among them the highly-successful cooperative advertising campaign, the Executive branch, in our view, has failed to comprehend that a rather modest federal investment in USTTA has produced an effective and mutually beneficial public/private partnership.

This brings us to a troubling situation that can not be separated from the deliverations of this Subcommittee on appropriate funding levels for USTTA. The Administration, in its recommended budget for FY 1988, has proposed funding USTTA with a so-called user fee. Such a fee would, in theory, protect the USTTA from the previous efforts of the OMB and the Administration to zero USTTA out of existence. Unfortunately, the user fee scheme clearly is also designed to enhance revenues. USTTA's share of user fee revenues is proposed to be fixed at $12 million with the excess, estimated to be at least another $6 million, going to the general fund.

Our principal objection to the $1 head tax is that despite all the protestations about its negligibility relative to the ticket price, it is in fact another in a long line of "fees" and "charges" that are supposed to be tolerable merely because they are, individually, still single-digit line items. The number of such fees that are now borne by travelers would be far too numerous to attempt to list here, but they are extensive, and the fact that tourists are the single favorite target seems to stem largely from the fact that they are personally on hand to empty their wallets. In a most superficial sense this is understandable—you can't ask a refrigerator or a steel girder or a bushel of soy beans for a dollar. But nonetheless, it is hardly fair and seems to us to be a case of "whittling off your nose to spite your face." Air and sea travelers already pay, for example, $10 in federal inspection services fees—an amount far above the cost of providing the inspection. Department of Agriculture officials have made it clear that they are likely to propose a fee of their own.

Which brings us to our second objection to this so-called "user fee." Legislation, case law and the stated policy of this Administration have in the apst all carefully distinguished between taxes and user fees. For the record, user fees are (1) imposed in consideration for a service or benefit conveyed upon a specific user at his or her request; and (2) are set at a level which regroups the cost of providing such service or benefit only. Taxes, by contrast, are levied for the purpose of accumulating the necessary revenue to protect and enhance the general health, safety and welfare of the citizens of the United States.

Clearly the current INS and Customs fees fall into the latter category, although overseas air and sea passengers continue to pay them under the guise of "user fees." By the same token neither airlines nor cruise lines, or their passengers will benefit one whit from this latest of fee schemes. Only 36% of foreign visitors traveling to the United States by air, fly U.S. carriers. The rest are propelled by a kind of "patriotic purchasing policy," and generally fly the national carrier. In addition, air and cruise lines spend many millions of dollars advertising their own goods and services. In other words, USTAA's promotional efforts probably benefit air and cruise lines less than the overwhelming majority of the industry that is small business.

Furthermore, I would remind this Subcommittee that the mandate of the National Tourism Policy Act, signed by the President and passed by the Congress established a mandate to "encourage the free and welcome entry of individuals traveling to the United States."

In any event, the benefit that USTTA provides is in assisting states, cities and the vast majority of the travel industry that is small business and does therefore not possess the financial resources of air and cruise lines to penetrate foreign markets.

USTTA promotional efforts now in operation provide a way for states and cities to effectively promote their destinations in foreign markets. While states that do promote in foreign markets have increased their international tourism promotion budgets by over 250% since 1979, they cannot individually hope to benefit their states to the same extent that is possible with a collective approach dependent on USTTA's synergistic role. Not all states can independently promote travel to the United States effectively and must therefore rely on USTTA to help direct their modest efforts.

Moreover, national and state park systems, as well as other public sector tourism and recreational attractions are magnets for international visitors, simultaneously helping to support public lands and preservation programs while funneling desperately needed dollars into the surrounding small businesses of largely rural economies.

A cooperative effort under USTTA can maximize the benefits of each state's interest in international tourism. For instance, initiatives to develop public/private coordinated efforts are essential to effective national programs aimed at country-wide economic viability. The recent USTTA-sponsored Third Annual International Marketing Conference and the Travel Industry Association of America's sponsored State Travel Director's National Domestic Travel Marketing Plan are two such efforts which recognize the potential of coordinated national programs.

In addition to the direct spending by international visitors, states appreciate the fact that these travelers provide an effective promotion and distribution network for a myriad of U.S. products and services. While the majority of export industries maintain a primary objective to sell large quantities of domestic products overseas, the travel and tourism industry sells large quantities of domestic products to a captive audience of international visitors who travel to the United States. The significant amounts of agricultural and manufactured products consumed by international visitors in the United States domonstrates the versatility of the tourism product as many exports rolled into one. In other words, tourism works in tandem with, and more importantly, to the benefit of, other American industries. For example, foreign visitors spend over $3 billion here annually on the purchase of gifts and products to take home and for needed incidental services while here. They also annually consume an amount of beef equal to all of the cattle in Nevada and as many chickens as are raised in California in a single year. This is, of course, in addition to the transportation fares, accommodations, rental cars and theatre or sporting event tickets.

Ultimately, as John Stuart Mill once said, "trade is a social act," and certainly, of tourism trade, nothing could be more true. When international travelers visit the United States, they personally experience American food, fashion, music, art, history and language—but most of all they experience Americans themselves.

Beginning this year, we will celebrate the Bicentennial of the United States Constitution, and through tourism, the world can celebrate with us. Is there anything we'd rather export than our freedom, our ideals? And is there any better way than tourism to share the American dream of democracy and demonstrate that it works.

Senator ROCKEFELLER. Thank you very much.

Mr. Pitt.

Mr. PITT. Mr. Chairman, it is a pleasure to be here today representing the American Hotel and Motel Association, an active member of the Travel and Tourism Government Affairs Council. It is of course a special pleasure to also represent the Greenbrier, a beautiful resort located in our great state of West Virginia.

Mr. Chairman, you already know about the council and about the Greenbrier, and so if I may I would like to tell you something about AH&MA. The American Hotel and Motel Association is a federation of hotel and motel associations located in the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands, having a membership in excess of 9,000 hotels and motels accounting for over 1.3 million rentable rooms. Inclusive in our membership are all of the major hotel and motel chains.

I presently serve on various committees for AH&MA, including the governmental affairs committee. We are grateful, Mr. Chair-

man, that this subcommittee has traditionally recognized travel and tourism's contribution to the national economy.

Our industry—and I refer here to the entire travel industry—plays a critical part in: one, restoring the competitive position of the United States in the international marketplace; two, improving export earnings; three, generating jobs for American workers; and four, reducing the national deficit.

As the third largest retail industry in the United States, behind only automobile dealers and food stores, the travel industry represents an economic resource of enormous proportions. In 1986, for example, Federal, state and local governments received over $33 billion in travel-generated tax revenue.

Our industry is the first, second, or third largest employer in 80 percent of the states. In 1986, travelers in the United States spend over a quarter of a trillion dollars, with travel receipts amounting to over five percent of the GNP.

Yet, our ability to serve as an economic resource may be even more dramatic on an international level when considered in the context of the international trade picture. Travel and tourism remains the largest U.S. services export and our second largest export overall.

As Mr. Toohey just stated, in only the time it takes for you to conduct this afternoon's hearing foreign visitors will spend in excess of $4 million in this country. Our 1986 export earnings from tourism were $12.7 billion, $16.3 billion when airline passenger receipts are included, and they are expected to substantially increase, more than doubling by the year 2000.

Clearly, the growth has been impressive. Tourism receipts in 1960, the year the U.S. Federal promotional effort began, were just slightly over one billion dollars. Moreover, and of particular interest to this subcommittee, international travel generated in 1986 over three-quarters of a billion dollars, $870 million, in Federal tax revenue and nearly one quarter of a million jobs.

In fact, it is our ability to create jobs that we believe is one of the most compelling arguments for an effective and well-funded national tourism development program. The travel industry is currently the second largest employer in the nation, supporting 5.2 million jobs directly and another 2.2 million indirectly.

The travel business created 360,000 new jobs in 1986, and over the previous ten years employment in the industry grew over 60 percent, more than twice the growth rate for all the jobs in the economy. Since 1958, payroll jobs in travel-related businesses have increased 268 percent according to the U.S. Department of Labor, more than three times as fast as the growth in total U.S. payroll employment over the 1958–85 period.

In addition, the travel and tourism industry has proven itself to be a dependable source of abundant job opportunities for minority groups that have traditionally found it more difficult than others to find jobs. The industry employs more than 820,000 blacks, eleven percent more than the national average, 686,000 Hispanic-Americans, 25 percent more than the national average, nearly 4.5 million women, which is also 25 percent more than the national average, and about 3.5 million youths 16 to 25 years of age.

According to a recent study conducted by Purdue University for the American Hotel and Motel Association, the total employment in the lodging industry in 1985 was over two million. That figure has been forecasted to increase by almost 400,000 by the year 2000.

In 1985, women employees represented over 54 percent of the lodging work force. At the Greenbrier alone, we employ over 1400 individuals, which is reflective of the fact that tourism is a major employer in West Virginia, our third largest in 1984, the latest year for which hard data is available.

Tourism revenue also generated $222 million in payroll income that year, or $111 per man, woman, and child in the state. Tourists spent $1.3 billion in West Virginia in 1984. That is $3.5 million per day.

The state treasury received $75 million in tourism generated tax revenues. Federal taxes derived from travel in West Virginia amounted to $50 million, enough to fund the USTTA at its current level for four years.

Mr. Chairman, AH&MA has participated with USTTA in various promotions. Most recently, the agency provided considerable assistance by coordinating through their Asian and Pacific offices meetings of hotel industry representatives with key players in tourism in Hong Kong, Japan, and Australia.

The result of this effort will be an educational videotape explaining how to market the United States and the United States lodging facilities in these markets. USTTA provides the industry with contacts, expertise, and coordination which enhance many private industry programs.

We encourage the committee to look favorably on funding the agency at a level sufficient to help us exploit the one bright spot in the international trade balance.

Thank you.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR TRIBLE AND THE ANSWERS THERETO

1. Why do big companies with big promotion budgets get involved with USTTA advertising campaigns? Are you satisfied with the return on your investment? Please give us some examples.

- A number of hotel/motel companies have participated with USTTA in cooperative advertising programs. This provides an opportunity for a coordinated effort using USTTA's program as a base on which a lodging company can piggyback its own advertising effort. USTTA presents a powerful campaign to sell the U.S. and hotel and motel companies, in turn, can encourage international visitors to choose a particular lodging establishment or product. Those companies in AH&MA's membership that have participated in cooperative advertising with USTTA have indicated they are more than satisfied with the results. A particular campaign in Great Britain directed towards British travel agents, in which USTTA and AH&MA participated, stimulated an additional 2,773 trips from Great Britain to the U.S. This translates into over $2.8 million in addtional spending in the U.S.; which benefits all of us--not just the lodging industry but the entire American economy.

2. The Travel Industry Association of America, the Air Transport Association, and the American Hotel and Motel Association have always been enthusiastic proponents of the USTTA. Are you saying now that you won't stand by the agency if your passengers have to pay for its services?

- The American Hotel & Motel Association is indeed an enthusiastic proponent of USTTA. We have always recognized the potential of really selling the U.S. overseas and we are seeing results from USTTA's programs. We welcome international visitors and every community in this country welcomes the expenditures by these visitors. Through various agencies in the government the United States is portrayed overseas as a wonderful country with a wonderful system allowing many freedoms for its citizens. The USTTA, through its programs, encourages foreign citizens to visit the U.S. and see for themselves. Now it has been suggested that those accepting the invitation, pay for the privilege of coming to the U.S. in addition to giving us their foreign exchange for airfare, hotel rooms, meals, souvenirs, etc. We do not support this concept but we continue to enthusiastically support the mission of USTTA.

3. Can you offer an alternative to assessing a users fee on inbound travelers on airlines and cruise ships?

- It is our belief that USTTA should be fully funded through the general Treasury. The Federal Government collects enough tax revenue as a result of foreign visitor spending in one year to fund USTTA at its present level for over 67 years.

4. Would you be more favorably inclined if the USTTA were to receive all $18 million which is expected to be collected through the users fee? Couldn't we use that money to update the National Travel Survey last undertaken in 1973?

- We are unalterably opposed to funding USTTA with an international ticket tax. If, indeed, the tax met the criteria for a true user fee, which it does not, an essential component would be dedicating all collected funds to the agency.

5. If through expanded USTTA programs we can attract more international travelers, won't that directly benefit the airline industry?

- We feel it is inappropriate for the lodging industry to respond to this question. This is a question which should be directed to the airline industry.

Senator ROCKEFELLER. Thank you very much.

There are a lot of things I want to say about you, all of which are good. And you had better understand that what you have done for the Greenbrier—well, you have been associated, I guess, with it on and off for 20 years and President since 1980?

Mr. PITT. That is correct.

Senator ROCKEFELLER. A first class place, and a first class job done by you, and I just thought I would slip that in there.

Mr. Phillips.

Mr. PHILLIPS. Thank you, Senator, Mr. Chairman.

I have a fairly complete statement, but in the interest of time, if you will accept it for the record, I would be happy to summarize.

On behalf of the nation's airlines, I want to thank you for this opportunity to present our views on the proposed fee for USTTA funding and to give you our views on the program. ATA does not support the proposed funding of the United States Travel and Tourism Administration through the imposition on airlines and cruise ships of a one dollar international travel fee designated as a ticket-writing charge.

We estimate that such a user fee would raise approximately $18 million per year to fund USTTA's $12 million budget. We believe this funding scheme to be both bad public policy and a disguise for unfair taxation.

I might note that our sister trade association, the International Air Transport Association, has submitted a statement for the record which comports with these views as well, Mr. Chairman.

ATA member carriers fully endorse and support the fine work performed by USTTA. That organization effectively promotes and facilitates travel to the United States, providing significant benefits to the country at large in terms of an improved balance of payments and associated economic advantages.

It is in the best interests of the United States that the USTTA program continues. Mr. Chairman, we have supported the agency and its predecessors for the 25 years of its history. We share the frustrations of the Congress that we have to come back year in and year out and defend its funding.

However, we do not believe that having the airlines and their passengers pay for that benefit is the proper solution. The programs and services of the USTTA, to the extent they can be said to benefit the industry, are more closely related to the vast number of small and even larger businesses, such as attractions, restaurants, hotels, that cannot have or do not devote the resources for international travel promotion.

This is the very composition of the public interest which justifies financing USTTA from general tax revenues. And our experience with user fees strongly counsels against them. The over $5 billion accumulated balance in the airport and airways trust fund, which is derived from airline ticket taxes, is one of the reasons for our mistrust of user fees.

That fund was created with specific and detailed assurances and a clear understanding that the moneys paid would be employed to make the badly needed capital improvements in the airport and airways infrastructure. Despite these assurances, the moneys now

sit unspent and currently unspendable while the fund is held hostage to other budget priorities.

Senator ROCKEFELLER. That is for sure.

Mr. PHILLIPS. At the same time, critical capital improvement needs of the air transport system remain unmet and the problem of air traffic delays worsens.

We have developed a recommendation which we have presented to the committee in hearings on the airport and airways trust fund reauthorization, to restructure the Federal Aviation Administration so that air traffic control system capacity keeps abreast of today's needs and allows for future growth.

If this capacity expansion program is not adopted, the growing system constraints will make travel promotion efforts redundant, if not downright counterproductive.

I would be happy to answer any questions, Mr. Chairman.

[The statement follows:]

STATEMENT OF GABRIEL PHILLIPS, EXECUTIVE VICE PRESIDENT, AIR TRANSPORT ASSOCIATION OF AMERICA

ATA does not support the proposed funding of the United States Travel and Tourism Administration (USTTA) through the imposition on airline and cruise ship carriers of a $1 international travel user fee designated as a ticket-writing charge. We estimate that such a user fee would raise approximately $18 million per year to fund USTTA's $12 million budget needs. We believe this funding scheme to be both bad public policy and a disguise for unfair taxation.

ATA member carriers fully endorse and support the fine work performed by USTTA. That organization effectively promotes and facilitates travel to the United States, providing significant benefits to the country at large in terms of an improved balance of payments and associated economic advantages. It is in the best interests of the United States that the USTTA program continue.

The airline benefits from USTTA programs are not sufficient to justify imposing the burden of USTTA fundraising on the airlines.

The programs and services of USTTA, to the extent they can be said to benefit the industry, are more closely related to the vast number of small and even larger business such as attractions, restaurants, hotels that cannot have or do not devote the resources for international travel promotion. This is the very composition of the "public interest" which justifies financing USTTA from general tax revenues.

Our experience now strongly counsels against user fees. The $.4.6 billion accumulated balance in the Airport and Airway Trust Fund—derived from airline ticket taxes is one reason for our mistrust of user fees. That fund was created with specific and detailed assurances and a clear understanding that the monies paid in would be employed to make the badly needed capital improvements in the airport and airway infrastructure. Despite those assurances, the monies now sit unspent and currently unspendable while the Fund is held hostage to other budget priorities. At the same time, the critical capital improvement needs of the air transportation system remain unmet and the problem of air traffic delays worsens.

We have developed a recommendation, which we have presented to the Committee in hearings on the Airport and Airway Trust Fund Reauthorization, to restructure the Federal Aviation Administration so that the Air Traffic Control System capacity keeps abreast of today's needs and allows for future growth. If this capacity expansion program is not adopted, the growing system constraints will make travel promotion efforts redundant, if not downright counterproductive.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR TRIBLE AND THE ANSWERS

1. Why do big companies with big promotion budgets get involved with USTTA advertising campaigns? Are you satisfied with the return on your investment? Please give us some examples.

Answer

As you know, the Air Transport Association does not engage directly in any carrier promotional efforts. It is our understanding that one or another of our members have cooperated with the USTTA but that, by far, the greatest share of their advertising revenue is spent for proprietary promotion. We would presume that carriers will from time to time wish to work directly with the USTTA on future promotional efforts, and that this may well provide a mechanism for enlarging the impact of USTTA efforts.

As to whether or not carriers have been satisfied with the results of cooperative campaigns, we would have to defer to our individual members. To the extent that you have not received this information from other sources, we would be pleased to put the Committee in direct contact with the appropriate airline officials.

2. The Travel Industry Association of America, the Air Transport Association, and the American Hotel and Motel Association have always been enthusiastic proponents of the USTTA. Are you saying now that you won't stand by the agency if your passengers have to pay for its services?

Answer

The Air Transport Association, for its part, remains an enthusiastic proponent of the USTTA. As was observed in our prepared statement, the USTTA performs a valuable service to the people of the United States in terms of improved international communication and understanding. On the more practical side, of course, it draws in foreign travel dollars which benefit both the national economy and the financial condition of those businesses -- primarily hotels and restaurants --- which cater to these travelers. In short, the Air Transport Association truly believes in the USTTA.

The question is, however, is it reasonable to demand that the airlines and their passengers pick up the entire cost for supporting the USTTA? To that, without hesitation or equivocation, we must answer no. The airlines, and indirectly their passengers, already spend approximately five times the annual USTTA budget in promoting travel to the United States -- spending that effectively promotes the goals of the USTTA. At the same time, over the past few years, carriers and their passengers have been required to fund both the Customs and Immigration Services' inspection functions through the assessment of "user fees." In both instances, the promised service improvements have not been forthcoming at a level commensurate with the payments -- effectively producing a substantial gift from the carriers and their passengers to the Treasury. On top of this, of course, the carriers have had almost eighteen years experience with the unfulfilled promises of the Airport and Airways Trust Fund. The net effect of these experiences requires that the carriers now draw the line and say 'enough is enough.' The capacity of the fare-paying passengers to fund important governmental functions is not without limit -- and we believe that limit has been passed. While we continue to believe in the USTTA, if forced to choose between its survival and yet another levy on air carriers and their passengers, we would regretably decline to accept the charge.

3. Can you offer an alternative to assessing a users fee on inbound travelers on airlines and cruise ships?

Answer

In our judgment, the almost universal benefits of an organization such as the USTTA demands that it be funded out of general taxpayer revenues. We do not believe that there are identifiable individual beneficiaries of USTTA's services upon which to assess appropriate 'user fees'. As a result, and in view of the national interest served by foreign spending in this country and the overall improvement in international understanding which results from foreign travel, we see no reason to depart from the past practice for funding the USTTA. We would urge the Committee to stay clear of the gimmickery of 'user fee' funding.

4. Would you be more favorably inclined if the USTTA were to receive all $18 million which is expected to be collected through the users fee? Wouldn't you like to see their efforts expanded? Couldn't we use that money to update the National Travel Survey last undertaken in 1973?

Answer

There are, of course, a wide variety of highly beneficial programs which the USTTA might undertake given adequate funding. To the extent that these questions assume, however, that it would somehow be "more fair" to charge air carriers and their passengers for the support of USTTA if the revenues derived go exclusively to USTTA we must disagree. The underlying premise -- that carrier/passenger funding is appropriate -- is simply and fundamentally wrong. That situation is not corrected through the addition of some type of spending guarantee which attempts to offer assurances that funds wrongly collected will be spent for a particular purpose.

As an aside we would note two important points: First, it has been our experience that legislative assurances of particular funding and spending practices simply do not work. Competing national priorities, Congressional Committee interests and Administration practices have consistently frustrated efforts to deal with dedicated fund revenues in the manner intended at the time the fund was established. Second, the Committee should be aware that the House Appropriations Subcommittee for Commerce, Justice and State has already identified the so-called USTTA user fee as a likely revenue source and has moved forward with a plan to produce not the $12 million needed to fully fund USTTA nor even the $18 million projected in the Administration's proposal. Rather, they plan to take in more than $25 million to be used to meet unrelated budget demands.

5. If through expanded USTTA programs we can attract more international travelers, won't that directly benefit the airline industry?

Answer

There is no question but that a higher volume of air travel is of benefit to the airline industry. Again, however, this line of questioning misses the point of our objection to the assessment of a USTTA user fee on air carriers and their passengers. The carriers are doing their part to promote travel to the United States and advance the goals of USTTA. The passengers have been taxed and charged and assessed fees for services which have not materialized. It is unfair to expect them to do more simply because they provide an easy target. The time has come for the government to halt its efforts to "milk the cash cow" of international air travel.

Senator ROCKEFELLER. Well, let us see how we go. When the bell goes off five times, I take off. But this is so crucial that we have just got to be sure about what we are doing here.

Mr. Toohey, you devoted a considerable amount of your statement to not agreeing, obviously, with the Administration's user fee proposal. We do go through this process every year, where the President proposes an elimination and the House does not go along and the Senate does go along, and USTTA is eventually funded by the Appropriations Committees.

And then that is kind of taking a risk every year. Now, it certainly is true that there has been money every year. USTTA exists, but it is not exactly the way that life is made comfortable.

You do not like what they are doing, but you do not propose an alternative to it other than the regular system of appropriations. Is there a reason for that?

Mr. TOOHEY. I think, Mr. Chairman, the reasons are very apparent why the promotion of inbound tourism by the United States Government is in the clear national interest. This is what government of every other country does. It is a competition clearly between governments to promote travel to countries for foreign exchange earnings.

The private sector in no other country does this. The government does it. And we are competing with the government of England and the government of Germany and all other governments.

What is happening that I think is encouraging now is that, with this new marketing program and the marketing plan, the private sector is being drawn more and more into the Federal program as a partner. The private sector can advertise its products and services under this umbrella, come to the USA.

It is clearly a Federal role and, as painful as this process is—and believe me, Mr. Chairman, it is painful, because it has been going on every year—the problem is that the Office of Management and Budget does not believe, nor has it ever believed, that the Federal government should be spending tax dollars to promote tourism.

I think that is the private sector's job, and this is just another recommendation to get out from under the notion that the government is going to be supporting this. Let the airlines pay for it, let the travelers pay for it.

Senator ROCKEFELLER. Do you know of anybody, Mr. Toohey, Mr. Phillips or Mr. Pitt, do you know of anybody in the recreation-tourism industry who supports this user fee concept?

Mr. TOOHEY. I do not. And as I mentioned in my testimony, Mr. Chairman, the Travel and Tourism Government Affairs Council, which is a trade association representing all components of the industry, unanimously voted against this. That is as close to a consensus as you can get.

Mr. PHILLIPS. No, sir, I know of none.

Mr. PITT. No, sir.

Senator ROCKEFELLER. That is across the board, that is airlines, cruise, and any other portion of the industry?

Mr. TOOHEY. All of the components.

Senator ROCKEFELLER. You would all concur that without USTTA and its mission, both as it has been and as it appears to be develop-

ing in terms of cooperative advertising—it is essential and crucial to the enhancement of your business?

Mr. TOOHEY. I thought you used a very good word, Mr. Chairman, when we were talking about the recognition of this or not recognizing it as being essential. And that word was, it is stupid, and I agree with that.

It is stupid not to recognize the economic benefits that inbound tourism promotion generates for this nation, and they are substantial—$13 billion in Federal taxes alone spent by the international visitor to the U.S., against a $12 million investment in trying to attract more. That does not make any sense.

Senator ROCKEFELLER. Do you have confidence that we will end up appropriating money if we do not do the user fee?

Mr. TOOHEY. I do.

Senator ROCKEFELLER. You do not lose sleep over that?

Mr. TOOHEY. I do not.

Senator ROCKEFELLER. And the year to year nature of it does not bother you?

Mr. TOOHEY. Yes, it does.

Senator ROCKEFELLER. But not enough?

Mr. TOOHEY. But not enough.

Senator ROCKEFELLER. I understand.

Does the fact that there has not been—for any of you gentlemen, this question—a national travel survey done in ten years, does that mean that you are dealing in any of your very large efforts without updated statistics? Is that a hindrance to you?

Should we do it again?

Mr. PITT. I think any survey of that nature should be done on a regular basis. It has been some time since that has been done, and obviously there are direct benefits to all of us that share in the tourism business.

But I think that perhaps it is a matter of prioritizing what could be done with any funds that might be made available, and I think that would be subject to a lot of different opinions.

Senator ROCKEFELLER. Mr. Toohey, even if we could find out all of the beneficiaries of the user fee and devise some formula in which all of the beneficiaries were somehow equally attacked, you would still not like that approach?

Mr. TOOHEY. It could never be done. Solomon himself could not devise an equity scale in which to tax the total travel and tourism industry, because it is so diverse. There are more than a million small businesses involved in travel and tourism, and how you would——

Senator ROCKEFELLER. And that fundamentally is your point?

Mr. TOOHEY. It is fundamentally not workable.

Senator ROCKEFELLER. Mr. Pitt, you, as I indicated before, obviously run a world class hotel. In fact, I think that I have seen a lot more of your advertising recently, and maybe I am just reading more. But I sure like what I see.

How many foreign visitors do you get there?

Mr. PITT. Well, we run about a little less than 100,000 guests a year, and we will do about—it is very small.

Senator ROCKEFELLER. 100,000 out of how many total?

Mr. PITT. 100,000 total guests a year, and we will do between two and three percent will be from outside the United States.

Senator ROCKEFELLER. Is that appropriate?

Mr. PITT. That is not as high as we think it should be. We are in one of those situations, Senator, that Mrs. Tuttle described, that I think came up in some of the later testimony.

We are an independent operation at this point in time. As you know, we are expanding through our larger company, but we are an independent organization, having to spend our marketing dollars based upon our current market base. And for us to independently enter a new market and on an international basis does not make much sense.

That is why this regional type selling or attraction or marketing should be—we think first the United States should be sold, secondly on a regional basis, third on a state basis, and then we certainly will get our share if they come our way.

And that is why we are so supportive of a unified front as far as marketing efforts are concerned. We currently enjoy a customer base that represents all 50 states and some 29 foreign countries on a year-round basis. And our repeat business, including all of them, is in excess of 60 percent.

So we know that if we can get those people to us one time, we will have them back in West Virginia many, many times.

Senator ROCKEFELLER. That is for sure.

Gentlemen, I am going to do something which I do not want to do, which is to conclude this hearing, not only because there is a vote, but there are ones that will be following. You have done more than your share of waiting and I know how you feel.

I could rephrase the questions and all of this, but there is no huge point to that. Let me assure you that I will be a vigorous and thorough and a total friend, as I have been in the past, of the entire tourism business and industry.

I welcome the future with you. I stand ready to help and work with you in every single way.

Thank you all very much. The hearing is adjourned.

[Whereupon, at 4:40 p.m., the hearing was adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF HON. RICHARD H. BRYAN, GOVERNOR, STATE OF NEVADA AND CHAIRMAN OF THE SUBCOMMITTEE ON TOURISM, NATIONAL GOVERNORS' ASSOCIATION

It is a pleasure for me, as the chairman of the Subcommittee on Tourism of the National Governors' Association and the Governor of a state in which the tourism industry is the largest employer, to have this opportunity to express the support of the nation's Governors for the authorization of funds for the U.S. Travel and Tourism Administration.

Viewed from any perspective, it is clear that USTTA produces a return that justifies the modest investment made in it many times over. The benefits of USTTA's efforts accrue to the nation as a whole; to the nation's regions, states, and localities; and to government and business.

To appreciate the value of USTTA it is necessary to appreciate the value of tourism. Tourism contributes $270 billion annually to the nation's economy. Travel and tourism is the second largest private sector employer and the third largest retail industry. Tourism generates nearly 6 percent of the nation's GNP and 4 percent of the total tax revenues of federal, state, and local governments, for a total of $33 billion in travel-generated tax revenue in 1986. Forty-one states rank tourism among their top three industries.

International tourism generated export earnings of $16.3 billion (including airline passenger receipts) in 1986 and is projected to more than double by the year 2000. In 1986, a year when the U.S. trade deficit with Japan was $58 billion, the tourism and passenger transportation accounts had a surplus with Japan of more than $1 billion. Given the nation's balance of trade difficulties and concerns about job creation and competitiveness, it is obvious that an industry with this profile should be cherished and nurtured. However, maintaining even modest support has been a constant struggle. It appears that travel and tourism is not adequately recognized within the federal government as an important component of our growing service sector and a significant export industry. It also appears that there is not an adequate recognition of the fierceness of international competition for the tourism dollar.

During the NGA winter meeting in Washington in February, President Reagan issued a challenge to the Governors, inviting them to embark on trade missions abroad. Nevertheless, in the previous two years, the administration has proposed total elimination of USTTA, while supporting substantial funding for the International Trade Administration to promote U.S. products, principally manufactured goods, and for the Foreign Agricultural Service, to promote agricultural exports.

I am happy to report that among the nation's Governors the recognition of the importance of tourism is strong and expanding. Turnouts at our Tourism Subcommittee meetings are strong, the discussions are serious and constructive, and the mix of states participating includes those not known as leading tourist destinations. I think it is fair to say that the Governors have gravitated toward a winner for their economies, and we urge the federal government to follow suit.

If USTTA did not exist, we would propose that you create it. But, USTTA does exist and, therefore, arguments concerning its worth need not be hypothetical. Under its current leadership, USTTA has exhibited levels of energy, enthusiasm, and effectiveness that are rare in government. It is a premier example of entrepreneurship in the public sector. Every Governor I know who has had working contact with USTTA is not simply satisfied, but is delighted.

One of the strengths of USTTA over the past several years has been its partnership approach. It has not adopted a policy of going it alone but has recognized the importance of working with and promoting cooperation among state and local tourism agencies and the various elements of the travel and tourism industry. The resulting synergy has produced valuable and exciting results. The cooperative advertising campaign carried out by USTTA in West Germany last year involved 44 U.S. private and public sector partners and increased German tourist spending in the U.S., producing a 15 1 return on USTTA's investment. The New England states and USTTA have embarked on a joint marketing program in Great Britain that is cer-

tain to produce greater results for all of the participants than otherwise would be possible.

In the West, with the support of USTTA, the states of Alaska, California, Idaho, Nevada, Oregon, and Washington are launching a joint marketing program—Visit U.S. West—that will provide much greater leverage in overseas markets through the strength of our collective dollars. To compete successfully in the world tourism arena, more of these kinds of efforts will be needed—and without USTTA they are not likely to occur. Tourism development is an intricate and vital piece of the international trade puzzle, and USTTA serves as a guiding hand, fitting the pieces into place. You may be confident, therefore, that along with our request for USTTA funding, I am delivering—on behalf of the nation's Governors—a commitment to continue to carry our share of the responsibility for tourism development.

The administration should be commended for now supporting the continuation of USTTA. However, I am concerned about the funding mechanism proposed. For fiscal 1988 the administration has proposed a total budget of $12.187 million for USTTA, $3 million of that through an ordinary appropriation from tax revenues and the remainder from a new $1 ticket-writing charge on international travel to and from the United States and its territories, assessed on airlines and cruise ship carriers. In future years, all of USTTA's funding would be drawn from this charge.

This "user fee" proposal implies that USTTA's function is not appropriate for general fund expenditures. I think that is wrong. The importance of tourism and the tourism industry to the nation's economy, the function and effectiveness of USTTA, and the amount of spending for tourism development by state and local governments create a conclusive case for general fund spending for USTTA—a case not different from that which justifies spending for the promotion of other types of exports. In addition, issues raised by the tourism industry concerning the fairness of the application of the charge, the manner in which it would be levied, the proliferation of such fees, and the use of the revenues raised in excess of the amount devoted to USTTA, suggest that it is a proposal that requires much more investigation in a broader context.

NGA has not adopted a policy position on the "user fee" proposal, but I have consulted with my colleagues on the International Trade Committee. Based on our assessment of the purpose and performance of USTTA, the benefits it generates for the public, the modest level of funding it requires to continue its basic program, and problems related to the proposed charge, we would recommend that funds be appropriated from tax revenues in the proposed amount.

Speaking personally, I believe that if either now or in the future "user fee" revenues are considered, they should not be devoted to supporting USTTA's core programs but should be directed toward special projects, especially those that suit the needs of those who might be directly affected by the type of charge enacted. In addition, all of the proceeds from any such fee should be used for USTTA. For the present, however, we strongly urge that funds be authorized to assure the continued operation of USTTA.

Statement of the National Tour Association

The National Tour Association is the primary domestic tour industry association in the United States. NTA's tour operator membership numbers in excess of 500. Additionally, over 2,500 hotels, restaurants, attractions, and other tour suppliers along with state and regional destination marketing organizations are members of the association. It is through this integrated membership that NTA has emerged as a highly visible and effective voice for the group travel industry, which is the most dynamic and fastest growing segment of the overall travel industry.

In this role, NTA has long been an advocate of the United States Travel and Tourism Administration and the work it performs. The USTTA serves an extremely important purpose in promoting international travel to the U.S. Undersecretary Tuttle is to be highly commended for her efforts, particularly in view of the very limited resources at her disposal.

It is on the subject of USTTA's limited resources that we wish to make our views known. There are three basic points which make up NTA's position in regard to USTTA funding.

First, USTTA is woefully underfunded. In a nation such as ours, the federal investment is encouraging travelers from other countries to visit America falls far short of what is needed to mount a truely effective and comprehensive effort. To describe the situation in rather blatant business terms, we have an ideal product to

market to foreign visitors. However, the resources appropriated for this purpose simply are inadequate for meeting the need

Therefore, it is NTA's strongly held position that Congress should appropriate a level of funds consistent with the challenge placed before USTTA. In short, the funding level should be dramatically increased.

Our second point relates to the one dollar airline ticket user fee funding mechanism proposed by the Administration, and more particularly to the portion of the revenue generated through that mechanism which has been proposed for appropriation to USTTA. It is NTA's very strongly held position that if such a fee is imposed, all revenue generated from the fee should be dedicated exclusively to USTTA. The new fee is purportedly intended to generate financial support for USTTA. Yet, only a portion of the new funds would be made available to the agency, leaving it with only a slight increase over the previous year's funding level. This simply maintains USTTA's funding difficulties, while creating a new tax. It also appears to be a less than forthright approach to resolving the federal budget deficit.

Finally, it is NTA's view that if Congress fails to provide a level of funding necessary for USTTA to effectively accomplish its mission, then the travel and tourism industry should move quickly and aggressively to provide supplemental support to that mission. If Congress chooses to forego making an adequate investment in an effort which promises such tremendous dividends, the industry would be equally remiss in allowing this opportunity to lie dormant. However, if the private sector must fill a void left by an insufficient public sector commitment, then the resulting joint effort should be just that—a joint effort in which the public and private sectors view each other as contributing partners and one in which both partners share in the authority over the endeavor.

The effective promotion of the U.S. as a destination for foreign travelers carries with it a profoundly positive economic impact, both for our nation as a whole and for the many business which serve those visitors. Due to this impact, NTA views the support of USTTA and its work not only as appropriate for federal subsidization, but one for which a federal obligation clearly exists. Nonetheless, if this obligation cannot or will not be fulfilled, we believe the need and the opportunity are simply too great to be left unmet.

We appreciate the opportunity to make our views known on this matter. We also stand ready to continue our support of USTTA. We are most hopeful that this subcommittee and the Congress will also lend their full support as well.

INTERNATIONAL AIR TRANSPORT ASSOCIATION,
Montreal/Geneva, April 30, 1987.

Hon. JOHN D. ROCKEFELLER IV,
Chairman, Subcommittee on Foreign Commerce and Tourism, Committee on Commerce, Science and Transportation, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Your Committee is holding hearings on May 6 on the Administration's proposal to fund the United States Travel and Tourism Administration (USTTA) through the imposition of a user fee. On behalf on the 156 international airline members of the International Air Transport Association (IATA) from all areas of the world, I wish to submit the following statement in opposition to the proposed fee:

As we understand the proposal, airlines and cruise ship carriers would be required to remit to the U.S. Treasury $1 for each international ticket issued in the United States. These proceeds would be used to fund USTTA's annual budget, set at $12 million for FY 1988, with any surplus deposited to the general treasury account.

While the air transport industry has always been prepared to pay for its fair share of the services and facilities it needs, we continue to oppose fees or taxes imposed on airlines or the traveling or shipping public for services and facilities which the industry and traveling and shipping public do not themselves need but which instead serve the interests of the government or the general public.

The proposed USTTA ticket-writing charge is a prime example of the latter. While international airlines may benefit from the activities of national tourism offices, such as the USTTA, they are certainly not the only or even the prime beneficiaries. Large segments of the economy benefit from tourism, whether it derives from domestic or international sources. In our opinion international airlines (and cruise ship carriers) should no more be asked to pay the budget of tourism offices than any industry segment should be required to fund any government department.

The proponents of the scheme have cited various factors which they believe condone an admittedly questionable use of the government's taxation power. They cite the existence of other "user fees" imposed both in the United States and other coun-

tries on air transportation. These include the U.S. Customs and Immigration user fees imposed last year, the proceeds of which are supposed to be used to defray the costs of the inspection services of these agencies, and air transportation "user fees" imposed by other countries, usually in the form of airport departure taxes or passenger services charges collected in various ways.

The existence of other fees and taxes should not, of course, be used as an excuse for imposing other ill-founded taxes. However, IATA recognizes that, despite our opposition to all taxes and charges that do not solely benefit international air transport, governments have sought and will continue to seek additional sources of revenues from a variety of sources. In this context, we believe that governments should be guided by the following considerations:

1. The imposition of fees or taxes is contrary to provisions adopted by the International Civil Aviation Organization (ICAO). It has recognized that fees or taxes on the sale or use of air transportation create barriers to the development and expansion of international travel and trade and are counterproductive. The ICAO Council has, therefore, called on Contracting States "to reduce . . . and make plans to eliminate . . . all forms of taxation on the sale or use of international transport by air, including . . . taxes levied directly on passengers . . ."

2. Where governments nevertheless seek to impose fees or taxes on air transportation, there must be a clear and direct benefit to airlines or the traveling or shipping public, the tax or fee should not exceed the cost of the service or facility provided, and proceeds from the fee or tax should be entirely dedicated to defray the specific costs of the service or facility provided.

3. Government should keep imposition of air transportation fees or taxes to minimum and should allow for their collection and remittance in the simplest manner possible. The need for this goal is demonstrated by the fact that the number and complexity of fees and taxes now being imposed in the United States and other countries is nearing the breaking point. In the United States alone, international travelers already are required to pay a $3 transportation tax, a $5 Customs processing fee, a $5 Immigration processing fee, and at certain airports fuel surcharges. The Agriculture Inspection Service will reportedly also ask for an inspection processing fee. All these fees must be shown on the ticket.

The proposed USTTA ticket-writing charge clearly does not meet any of the above criteria.

We urge that the Congress not approve the proposal.

Yours sincerely,

GÜNTER O. ESER,
Director General.

○